Media Release | 26 August 2014

Auckland Airport announces another 12 months of strong performance

Auckland Airport has today announced its annual results for the financial year to 30 June 2014.

Total profit after tax was up 21.3% to $215.9 million, while underlying profit after tax increased by 10.5% to $169.9 million. The final dividend paid to shareholders for the year increases by 12% to 7 cents per share, imputed at the company tax rate of 28%, and is in addition to the $454 million capital returned to shareholders during the financial year.

Total revenue was up 6.1% to $475.8 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 7.4% to $355.2 million. Total passenger movements were up 3.8% to 15.1 million, with international passengers up 5.1% to 8.2 million and domestic passengers up 2.2% to 6.9 million.

Chair, Sir Henry van der Heyden, says, “This financial year we have continued to implement Auckland Airport’s Faster, Higher, Stronger strategy. In particular, we have focused on growing travel markets and investing in the retail, property and long-term infrastructure we need to take full advantage of growth opportunities.”

“As a result we have seen additional airline capacity and services into Auckland, we have announced our 30-year vision for the ‘airport of the future’, and we have delivered significant improvements for passengers, retailers and property tenants and maintained our focus on driving efficiency and effectiveness throughout the business. Strong execution of our strategic priorities has ensured we are delivering for investors and that we are strongly positioned for our future. This underlying strength has enabled us to return $454 million of capital to shareholders this financial year.”

Sir Henry says that revenue growth was achieved through strong aeronautical performance (up 8.6% or $17.3 million), property (up 7% or $3.8 million) and car parking (up 6.1% or $2.4 million). Expenses were up 2.6% to $120.6 million, with the main contributors being outsourcing expenses, up 9% due to the increasing number of passengers using our Park&Ride service, and staff costs, up 6.4% due to the accrual of long-term incentive provisions as a result of continued strong company and share price performance.

Auckland Airport’s share of profit from associates totalled $11.6 million this financial year, an increase of 17.2% on the previous year. Our profit share from North Queensland Airports increased by 15.2% to $8.1 million, while Queenstown Airport was up 25.7% to $1.7 million and the Novotel hotel up 19.2% to $1.9 million.

Sir Henry says, “The final dividend of 7 cents, imputed at the company tax rate of 28%, will be paid on 17 October 2014 to shareholders who are on the register at the close of business on 3 October 2014.”

“We are confident in Auckland Airport’s ability to unlock further opportunities in the 2015 financial year. We expect underlying net profit after tax (excluding any fair value changes and other one-off items) to be between $160 million and $170 million. Due to the 10% reduction in the number of shares on issue following the capital return, this guidance would be a lift in earnings per share of between 2% and 9%. This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration due to global market conditions or other unforeseeable circumstances," says Sir Henry.

Ends

For further information please contact:

Simon Lambourne

+64 9 255 9089

+64 27 477 6120

simon.lambourne@aucklandairport.co.nz

Results at a Glance

	30 June 2014 $m	30 June 2013 $m	Movement %
Financial Results			
Income	475.814	448.458	6.1
Expenses	120.646	117.624	2.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	355.168	330.834	7.4
Share of profits of associates	11.632	9.921	17.2
Investment property fair value increases	41.974	23.091	81.8
Property, plant and equipment revaluation movement	4.060	-	-
Derivative fair value movement	0.636	1.473	-56.8
Depreciation	63.541	62.053	2.4
Interest expense	68.171	66.689	2.2
Taxation expense	65.877	58.610	12.4
Reported profit after taxation	215.881	177.967	21.3
Earnings per share	16.68c	13.46c	23.9
Underlying profit after taxation[1]	169.877	153.781	10.5
Underlying earnings per share	13.13c	11.63c	12.9
Dividends			
Total proposed dividend for the year (cents per share)[2]	7.00c	12.00c	-41.7
Total proposed dividend for the year ($ million)[2]	83.334	158.730	-47.5
Capital return			
Capital return (cents per share)	34.30c	-	-
Capital return excluding transaction costs ($ million)	453.146	-	-
Financial Position			
Shareholders' equity	2,918.935	2,499.507	16.8
Total assets	4,733,919	3,938.552	20.2
Debt to debt plus equity	34.0%	31.4%	8.4
Debt to enterprise value[3]	24.7%	22.8%	0.1
Capital expenditure	121.461	93.471	29.9
Passenger and aircraft statistics – Auckland Airport			
International passenger movements including transits	8,150,396	7,755,678	5.1
Domestic passenger movements	6,911,689	6,760,537	2.2
Maximum certificated take-off weight (tonnes)	6,218,465	5,929,368	4.9
Aircraft movements	153,263	155,146	-1.2
North Queensland Airports performance	**30 June 2013**	**30 June 2012**	
Cairns international passenger movements including transits	608,177	666,941	-8.8
Cairns domestic passenger movements	3,948,094	3,774,653	4.6
Mackay domestic passenger movements	1,076,227	1,176,026	-8.5
Revenue (AUD $million)[4]	AUD 123.969	AUD 119.202	4.0
EBITDAFI (AUD $million)[4]	AUD 79.299	AUD 75.068	5.6
Profit after taxation (AUD $million)[4]	AUD 29.557	AUD 22.532	31.2
Queenstown Airport performance			
International passenger movements	308,402	241,714	27.6
Domestic passenger movements	940,477	957,204	-1.7
Revenue ($ million)[4]	21.905	19.567	11.9
EBITDAFI ($ million)[4]	15.237	12.923	17.9
Profit after taxation ($ million)[4]	6.634	5.280	25.6

[1] Excluding investment property fair value increases, derivative fair value movements, property plant and equipment revaluations in the company and its associates and the tax effect of these adjustments in 2014 and 2013. Refer to Appendix A attached for a reconciliation of these adjustments.
[2] As the capital return coincided with the time of the year that Auckland Airport could be expected to pay an interim dividend, there was no interim dividend in the 2014 financial year.
[3] Based on the share price as at 30 June 2014 of $3.90.
[4] From non-audited management accounts of North Queensland Airports and Queenstown Airport. The financial results have not been apportioned for the level of ownership interest being 24.55% for North Queensland Airports and 24.99% for Queenstown Airport.

Results at a Glance

Appendix A

	2014			2013		
	Reported profit	Adjustments	Underlying earnings	Reported profit	Adjustments	Underlying earnings
	$m	$m	$m	$m	$m	$m
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) per income statement	355.168	-	355.168	330.834	-	330.834
Share of profit of associates [1]	11.632	(2.938)	8.694	9.921	(1.899)	8.022
Derivative fair value (decreases) increases [2]	0.636	(0.636)	-	1.473	(1.473)	-
Investment property fair value increases [3]	41.974	(41.974)	-	23.091	(23.091)	-
Property, plant and equipment revaluation [4]	4.060	(4.060)	-	-	-	-
Depreciation	(63.541)	-	(63.541)	(62.053)	-	(62.053)
Interest expense and other finance costs	(68.171)	-	(68.171)	(66.689)	-	(66.689)
Taxation expense [5]	(65.877)	3.604	(62.273)	(58.610)	2.277	(56.333)
Profit after tax	**215.881**	**(46.004)**	**169.877**	**177.967**	**(24.186)**	**153.781**

1 Auckland Airport's share of the gain on revaluation of investment property held by NQA for the year ended 30 June 2014 was $2.241 million (2013: $1.307 million). Auckland Airport's share of the gain on revaluation of investment property held by Novotel Hotel for the year ended 30 June 2013 was $0.550 million (2013: $0.450 million). Auckland Airport's share of the fair value increase on the derivative financial instruments held by Novotel Hotel for the year ended 30 June 2014 was $0.147 million (2013: $0.142 million).

2 The fair valuation movement of the derivative financial instruments that do not qualify for hedge accounting put in place in conjunction with the US Private Placement (USPP) debt issuance in November 2010 and the fair value change of derivatives due to each counterparty credit risk.

3 The fair value increase of Auckland Airport's investment property portfolio as a result of the revaluation performed as at 30 June 2014 and 30 June 2013.

4 The portion of the fair value change in the land asset class of Auckland Airport's property plant and equipment from a revaluation undertaken as at 30 June 2014.

5 Taxation adjustments as a result of adjustments 1 to 4 above.

For our future

Auckland Airport

Annual Report 2014
Auckland International Airport Limited


We've
already
begun

New combined domestic and international terminal (artist's impression only)

Contents

Online report

View our interactive report at
aucklandairport.co.nz/report
It has been designed for ease of online use, with tablets in mind.

Sir Henry&Adrian

Welcome

Welcome to our annual report for the financial year to 30 June 2014. Auckland Airport has had yet another 12 months of strong performance and has delivered excellent returns to our investors.

Total profit after tax was up 21.3% to $215.9 million while underlying profit after tax increased by 10.5% to $169.9 million. Total revenue was up 6.1% to $475.8 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 7.4% to $355.2 million. Total passenger movements were up 3.8% to 15.1 million, with international passengers up 5.1% to 8.2 million and domestic passengers up 2.2% to 6.9 million.

This financial year, we have continued to implement Auckland Airport's strategic business plan: Faster, Higher, Stronger. In particular, we have focused on growing travel markets and investing in the retail, property and long-term infrastructure we need to take full advantage of growth opportunities.

As a result, we have seen additional capacity and services, we have announced our 30-year vision for the 'airport of the future', we have delivered significant improvements for passengers, retailers and property tenants and maintained our focus on driving efficiency and effectiveness throughout the business. Strong execution of our strategic priorities has ensured we are delivering for investors and that we are strongly positioned for our future. This underlying strength has enabled us to return $454 million of capital to shareholders this financial year.

We are confident that Auckland Airport is able to unlock further opportunities in the 2015 financial year. We expect underlying net profit after tax (excluding any fair value changes and other one-off items) to be between $160 million and $170 million. Due to the 10% reduction in the number of shares on issue following the capital return, this guidance would be a lift in earnings per share of between 2% and 9%. This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration due to global market conditions or other unforeseeable circumstances.

Sir Henry van der Heyden
Chair

Adrian Littlewood
Chief Executive

$169.9m
10.5%

Underlying profit

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors can confidently know that comparisons can be made between different companies and that there is integrity in the reporting approach of an entity. However, we believe, also, that an underlying profit measurement can 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 profits alongside reported results. We do so when we report our results but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our policy to pay 100% of net profit after tax, excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items. However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result. The reconciliation can be found on page 17.

UP 3.8%

15.1m

Passenger movements

international 7.7m 5.1% | international transits 0.5m 5.5% | domestic 6.9m 2.2%

UP 6.1%

475.8m

Revenue

UP 7.4%

355.2m

Operating EBITDAFI

UP 21.3%

215.9m

Total profit

Underlying profit

$ 169.9m

UP 10.5%

Final dividend per share

¢ 7

UP 12%

Total shareholder return

% 33.7

Results
at a glance

Another 12 months of strong performance and excellent returns to our investors

Faster Higher Stronger

The four themes in Faster, Higher, Stronger are:

- Grow travel markets
- Strengthen our consumer business
- Be fast, efficient and effective
- Invest for future growth

01 Grow travel markets

We will adopt an ambitious and innovative approach to help New Zealand sustainably unlock growth opportunities in travel, trade and tourism. Growing travel markets with our airline and industry partners makes journeys better by providing customers with greater choice, more-convenient flight schedules and better value for money.

02 Strengthen our consumer business

We will strengthen and extend our retail, transport and accommodation businesses to ensure we can respond to evolving customer needs. This means increasing the range of products and services we provide and making Auckland Airport more appealing to our customers; this will make their journeys better.

Last financial year, we announced our strategic plan to grow faster, aim higher and become stronger and, in doing so, maintain the strong momentum we have established over the past few years.

Our five-year business strategy, Faster, Higher, Stronger, responds to the challenges we have identified ahead from changing aviation markets and changing customer expectations, on top of competitive pressure on retail and the commercial property market.

It builds on our 2009–2013 business strategy, Flight Path for Growth, which fundamentally changed our business philosophy, improved our performance and developed our focus on ‘making journeys better’ for all customers and partners of Auckland Airport.

03 Be fast, efficient and effective

We will improve our performance by increasing the productivity of our assets, processes and operations. A fast, efficient and effective airport makes journeys better by saving time and money for airlines and passengers.

04 Invest for future growth

We will build on our strong foundations for long-term, sustainable growth by continuously investing in infrastructure so it supports our long-term requirements. This makes journeys better both within the airport and around our vibrant business district.

Faster, Higher, Stronger embraces our objective of making journeys better and is a passionate commitment to improve in everything we do. It set a number of new aspirations to drive our company's performance. These high-level aspirations and our progress to date are not market guidance and the results are likely to fluctuate from year to year. However, they provide the company with a sharp focus on important goals that underpin our long-term success.

Our aspirations are:

400,000

Double Chinese arrivals to 400,000 by FY17, up from 213,781 in FY13

$60m

Build property rent roll to $60 million by FY17, up from $44 million in FY13

10m

Achieve 10 million international passengers by FY18, up from 7.317 million in FY13

20m

Reach 20 million total passengers by FY20, up from 14.516 million in FY13

In the 2014 financial year we made good progress in the implementation of Faster, Higher, Stronger across the business.

We made further progress against our aspirational goals:

226,994

Chinese arrivals increased by 6.2% to 226,994

$46.6m

Property rent roll increased by 6% to $46.6 million

7.7m

International passengers using Auckland Airport increased by 5.1% to 7.7 million

15.1m

The total number of passengers travelling through Auckland Airport increased by 3.8% to 15.1 million

By successfully implementing **Faster, Higher, Stronger,** we can continue to grow and deliver for both New Zealand and our investors.

Implementing our strategy

Grow travel markets

Sustainably increasing air connectivity is critical to our future success. This financial year, the number of international passengers (excluding transits) using Auckland Airport increased by 5.1% to 7.7 million, while domestic passengers increased by 2.2% to 6.9 million.

We work closely with airlines to drive growth in travel, trade and tourism. During this financial year, a number of airlines have announced new services and capacity:

- Air New Zealand increased its flights to Bali, the Sunshine Coast and the United States in the winter season. It also announced increases to its San Francisco-to-Auckland service from seven to 10 weekly flights during the 2014–2015 peak season, and introduced a new B777-300 from mid-July to provide 8% more seat capacity on that route.
- Emirates started flying a third A380 to Auckland in October 2013, servicing the airline's Dubai-Brisbane-Auckland route.
- Jetstar used a B787 Dreamliner aircraft on its Melbourne route in February and March this year and has announced that it will be adding six flights per week to its Melbourne route and one flight per week to its Sydney route.
- LAN Airlines started flying daily services to Santiago and Sydney in June 2014.
- China Southern Airlines commenced flying New Zealand's first commercial B787 Dreamliner service on its Guangzhou-to-Auckland route, resulting in 5% more seat capacity. China Southern also provided two additional return flights during the 2014 Chinese New Year celebrations and then increased its Guangzhou-to-Auckland service from seven to 10 weekly flights until October 2014, when it will increase services to double daily until March 2015.
- Malaysia Airlines increased the number of flights from six to seven per week during the November-to-January peak summer period. In November, it decided to offer daily flights between Kuala Lumpur and Auckland from March 2014.
- Qantas announced an A330 aircraft twice-weekly service between Perth and Auckland from December 2014 to April 2015.

7.7 International passengers increased by 5.1% to **million**

China Southern Airlines commenced flying New Zealand's first commercial B787 Dreamliner service on its Guangzhou-to-Auckland route, resulting in 5% more seat capacity.

- China Airlines announced it will change its A330 aircraft to a B747 on its Taipei-Brisbane-Auckland route during the summer peak and increase the number of flights from three to four per week, adding 15,000 seats to the route.
- Air New Zealand announced it will increase the frequency of its flights between Melbourne and Auckland during the upcoming December-to-January summer peak period, and will extend its four-flights-per-week seasonal service to Honolulu through to the end of November.
- China Eastern Airlines operated two return charter flights from China over the 2014 Chinese New Year period.

These new services and capacity increases over the past year mean that Auckland Airport has continued to grow travel, trade and tourism this financial year and delivered real benefits for our city, our country and our customers.

Unfortunately, we have seen some reductions in the past 12 months, also. Air New Zealand reduced its service to Osaka from year-round to seasonal, as did Korean Air to Seoul. Thai Airways reduced some of its services to Bangkok and Qantas announced that it would reduce its weekly services to Melbourne and Sydney. Jetstar announced that it would be ending its Auckland-Adelaide and Auckland-Singapore services.

Our domestic market has continued to grow this financial year. This is, in part, due to the strong growth in international passengers, who use Auckland Airport to connect to other New Zealand cities and regions. Air New Zealand has continued to introduce A320s into its domestic jet fleet and replace its regional Beechcraft aircraft with larger Bombardier Q300s and ATRs. As a result of Jetstar's increased focus on customer satisfaction, the airline has become the leader in domestic on-time performance at Auckland Airport.

To ensure the New Zealand tourism industry is well positioned for the future, Auckland Airport continues to play a leading role in developing our fastest-growing passenger markets. In May, we hosted another Asia Summit to enable industry experts to share their knowledge of New Zealand's key Asian markets, including China, India and Indonesia. The summit coincided with the publication of our perspectives on market insights, trends and opportunities in *Ambition 2025* – a document that sets aspirational targets for the tourism industry for each of our 18 major passenger markets. More information about *Ambition 2025* is available online: www.ambition2025.co.nz

We also continue to invest in the New Zealand tourism industry. This financial year, we played our part in the development of a strategic tourism framework to deliver growth for our country. Known as *Tourism 2025*, the framework targets 6% annual growth for the tourism sector, to increase revenue from $24 billion today to $41 billion by 2025 and includes a focus on growing sustainable air connectivity.

RETAIL

During the past 12 months, we have introduced several new retail stores to the international duty free area including Comvita, The Whisky Trail, Shaky Isles café and Beats by Dr Dre.

EMPEROR LOUNGE

Capacity of our award-winning Emperor Lounge expanded by 70% to further cater for travellers who are not otherwise eligible to use airline lounges.

Strengthen our consumer business

Auckland Airport has continued to focus on and enhance our consumer business this financial year. We are constantly reviewing our retail mix to ensure we maintain a range of excellent New Zealand and international products.

During the past 12 months, we have introduced several new retail stores to the international duty free area including Comvita, The Whisky Trail, Shaky Isles café and Beats by Dr Dre. Also, we have introduced a series of short-term installations, including Samsung, Marc Jacobs and the successful New Zealand T-shirt company, Mr Vintage.

We will continue to introduce new retail stores in the upcoming 12 months, including: the Dutch juice and salad brand, Juicy Details; the Dominion Breweries bar showcasing premium and craft beers; KiwiYo self-serve frozen yoghurt; an OPI Nail Bar; and the fashion and jewellery store, lolaandgrace.

While we have continued to introduce new retail stores this financial year, our retail focus has been on preparing for the upcoming duty free tender also. We are committed to providing passengers with greater choice by tendering for two leading duty free operators and we are focused on the tender delivering a wider range of products to drive sales performance.

A programme of seasonal promotions, during Chinese New Year celebrations and the New Zealand school holidays, has encouraged consumers both to increase the time they spend in our retail environment and to increase their spend on retail products. As a result of the Chinese New Year promotion, retail sales at our speciality stores – popular with Chinese passengers – increased by 27% on the previous Chinese New Year.

This financial year, we also launched a new online retail store to enable passengers to make their duty free purchases in advance of their travel. The website ensures we can better promote the increasing number of retailers at Auckland Airport and their products and marks the start of our ongoing expansion in online retail.

In addition to an enhanced retail offering, we have expanded our Park&Ride business by providing customers with an additional 879 spaces to improve their parking options at Auckland Airport. We also expanded the capacity of our award-winning Emperor Lounge by 70% to further cater for travellers who are not otherwise eligible to use airline lounges. With the assistance of Tomizone, we have enhanced our 30-minute free WiFi offer to ensure it is easy to access and available throughout both terminals.

Construction work commenced this financial year to extend the ibis budget hotel by 73 rooms. The ibis budget has performed exceptionally well since its opening and, this financial year, achieved an average occupancy rate of 92.4%. The $7.8-million extension of the hotel is a further sign of confidence in our business and increases the accommodation options for travellers.

It is important that we continue to improve the customer experience and services for our increasingly diverse international passengers. Our multi-language flight information displays now communicate in nine languages: Spanish, Tongan, Hindi, Samoan, Japanese, Korean, Bahasa Malaysia, Chinese and English. It is essential that foreign-language-speaking passengers are assisted to travel through Auckland Airport and our investment in these multi-language displays are complemented by the range of foreign-language arrival and departure information provided by New Zealand Customs Service, Immigration New Zealand, the Ministry for Primary Industries and New Zealand Aviation Security Service.

We have made good progress in strengthening our consumer business this financial year despite a number of market challenges including a stronger New Zealand currency, additional tobacco regulation and the increasing popularity of online sales and parallel importing with New Zealanders. We are confident the investment we have made in our consumer business this financial year will deliver immediate benefits for the company and position us well for the future.

WORLD AIRPORT SKYTRAX AWARDS 2014

At the 2014 annual SKYTRAX World Airport Awards, Auckland Airport was named:

- best airport in the Australia-Pacific region, for the sixth year in a row
- best airport for staff service in the Australia-Pacific region, for the third year in a row
- second-best airport in the world serving 10–20 million passengers
- eleventh-best airport in the world – up from 12th in 2013.

TECHNOLOGY

This financial year New Zealand Customs Service expanded SmartGate to include United Kingdom and United States citizens.

CAPITAL RETURN

On 14 April, Auckland Airport completed a capital return of approximately $454 million to shareholders.

$454m

Be fast, efficient and effective

This financial year, Auckland Airport has remained focused on driving efficiency and productivity across our business. This objective spans our entire business, from financial to operational management.

On 14 April, Auckland Airport completed a capital return of approximately $454 million to shareholders. This capital return was undertaken on a pro rata basis, by way of a scheme of arrangement under Part XV of the Companies Act 1993. It had been approved at a Special Meeting on 12 February by 99.34% of shareholders voting and by the High Court of New Zealand on 7 March. The capital return rewarded shareholders for the company's consistently strong performance over the past five years and, at the same time, improved our funding balance of equity and debt, returning it to levels that were achieved in 2011.

To help reduce the impact of aviation on the environment and communities, this financial year we completed the SMART Approaches flight path trial. The trial was undertaken with Airways New Zealand and the Board of Airline Representatives New Zealand and is part of the New Zealand Government's National Airspace Policy to improve safety and efficiency. It tested three new flight approaches to the airport, two from the north and one from the south, utilising satellite-based navigation and enabling shorter, more-efficient, curved landing approaches. The global move towards the satellite-based navigation technology used in the trial is an initiative embraced by the International Civil Aviation Organization. The draft report on the trial was published in May 2014 and feedback and submissions on its recommendations were received from the community and stakeholders in June and July. A final report on the trial will be published by the end of December 2014.

As part of our ongoing operational and safety planning, the company successfully completed 16 contingency planning scenarios this financial year. The exercises enable us to work closely with key stakeholders to ensure we are prepared for the unexpected and can maintain the airport's operational capabilities should an incident occur. This financial year, the exercises included aviation, water and gas pipe failures, fuel spills and fire, and baggage-handling incidents. All exercises were completed successfully with participants becoming better prepared should an actual incident occur.

Many Australian and New Zealand travellers use SmartGate technology to process themselves through passport control at Auckland Airport. This financial year New Zealand Customs Service expanded SmartGate to include United Kingdom and United States citizens. SmartGate is a great example of Auckland Airport and New Zealand's border agencies working together to make journeys better through the use of technology and of our ongoing commitment to security, reducing queues and saving travel time for passengers.

We pride ourselves on being a responsible company. By respecting the environment, we are able to grow our business sustainably and create long-term value for all our stakeholders. Our sustainability policy is focused on 11 key areas, including energy and fuel efficiency, waste minimisation, water conservation and sustainable transport. This year, we undertook a number of programmes to help us achieve our targets by 2020. As an example, to drive further energy efficiency, we upgraded the heating and cooling of our international terminal's check-in area. The project replaced old and inefficient drives with the latest variable-speed technology, linked to carbon dioxide sensors. This provides an opportunity for electrical-energy savings when cooling is required and gas savings when heating is required. The project achieved electrical-energy savings of 84% and gas savings of 56%, and resulted in a saving of 175,000 kilowatt hours every month.

Our future success is intrinsically linked to the future of our local communities. We are committed to being a good neighbour and we recognise the importance of helping South Auckland to grow and thrive. This year, 20 students participating in our work experience internship programme with Manukau Institute of Technology found full-time employment with businesses operating at the airport. In February, we continued our strong partnership with Aorere College, with students and airport staff undertaking a clean-up of the coastline around Wiroa Island. Our school visits programme has continued to be an outstanding success, with 100 schools visiting and learning about the airport in the past 12 months.

> “The operation of Auckland Airport and its neighbouring activity contributes $3.5 billion to the region's economy, provides 33,100 jobs and contributes $1.9 billion to Auckland's household incomes.
>
> **Insight Economics,** *Estimating the Regional Economic Importance of Auckland Airport*

2nd runway

Around 2025, a second runway will be built entirely on airport-owned land to the north of the terminal and run parallel with the existing southern runway. It will have an operational length of up to 2,150 metres and restrictions on night flights to and from the east.

We have set aside enough land for a rail corridor through the airport precinct to the terminal.

2013

14.5 million passengers

2044

40 million passengers

Invest for future growth

In March, we announced our 30-year vision for the ‘airport of the future’. We estimate that the number of passengers using Auckland Airport every year could almost treble, from 14.5 million people in 2013 to 40 million people in 2044 and the number of flights almost double from 150,000 a year in 2013 to 260,000 in 2044. We will need to upgrade our infrastructure significantly to cope with this passenger and aircraft growth.

Our 30-year vision has been developed with assistance from international expert airport planners and designers SOM and Arup and was subject to rigorous analysis before its confirmation. The core of our vision is building a combined domestic and international terminal, with the first phase of construction expected to be completed around 2020. It will be a world-class, friendly, convenient, efficient and uniquely New Zealand-themed terminal. Around 2025, a second runway will be built entirely on airport-owned land to the north of the terminal and run parallel with the existing southern runway. It will have an operational length of up to 2,150 metres and restrictions on night flights to and from the east. The second runway may need to be extended by 890 metres in 30 to 50 years to improve its efficiency and meet the requirements of the larger aircraft forecast to fly into Auckland in the future.

To improve public transport access to the airport, we have set aside enough land for a rail corridor through the airport precinct to the terminal and for an underground station at the new terminal. Also, we have designed space for an additional express bus service, created extra bus lanes, and improved facilities for buses and shuttles. The airport’s northern and eastern access roads will be improved, and terminal-bound traffic separated from commercial and other traffic. Also, we will build two more multi-storeyed car parks with pedestrian walkways connecting to the new terminal. Our 30-year transport vision will reduce congestion, improve travel times and be better for the environment.

The 30-year vision’s investment in infrastructure is expected to boost regional GDP by $2 billion, create more than 27,000 full-time construction jobs and help lift Auckland’s household incomes by $1.4 billion. More information about the 30-year vision is available online: www.airportofthefuture.co.nz

> We recognise the importance of Auckland Airport as a key piece of national infrastructure and one of the critical gateways for visitors to New Zealand. Customer experience is at the core of our business and the [30-year vision reflects] a major step in not only improving that experience, but taking it to the next level in our biggest city.
>
> **Christopher Luxon**
> Chief executive officer, Air New Zealand

This financial year, we also completed the $29-million upgrade of the existing domestic terminal building. The upgrade provides passengers with improved gate access, baggage collection and bathrooms, as well as faster security screening, a new

Te Kaitaka - The Cloak

Our recently completed and visually striking property marketing and corporate function suite.

Creating more than

27,000

full-time construction jobs

regional lounge and two new airbridges. It will ensure that we can efficiently and effectively process passengers until the new combined domestic and international terminal is built. Also, we have invested $295,000 to ensure our taxi system operates more efficiently. This investment follows feedback from taxi drivers and includes additional sunshades, taxi signage at domestic and international terminals, and new drinking and bathroom facilities.

Our investment property business has had another solid year with strong underlying growth in rent roll and a significant lift in amenity at Auckland Airport's business district. In addition to the 100 Auckland Airport corporate employees who work in the Quad 5 office building, it is now home to employees from Harrison Grierson, Specsavers and BASF New Zealand and to Jetts gym. Our success in finding tenants for Quad 5 means we are able now to focus on building a new office building in The Quad precinct, which includes the recently completed and visually striking property marketing and corporate function suite, Te Kaitaka – The Cloak. A number of property transformation projects were completed this financial year as part of our programme to transform the land around the airport into a fun place to work, rest, play, shop and dine – these included the Outdoor Gallery, Footy Field and Runway Mountain Bike Park. Our ongoing success in our property business means we are committed to future investment in the development and transformation of land surrounding the airport. This will help us to become a destination of choice for companies and the community.

The 2014 financial year has seen us continue to support the growth of Queenstown Airport and North Queensland Airports.

Passenger volumes at Queenstown Airport have continued to grow strongly this financial year with international passenger numbers increasing by 27.6% to 308,402. This growth is primarily due to an increase in the number of direct trans-Tasman flights, especially during the winter ski season. Domestic passenger volumes at Queenstown Airport decreased by 1.7% to 940,477.

In May, New Zealand and Australian aviation authorities approved the foundation safety case for after-dark flights into Queenstown Airport. While the after-dark flights are not expected to be introduced before mid-2016, extending the airport's operating hours will provide travellers with more flexibility and better connectivity across airline networks.

North Queensland Airports' passenger numbers increased by 0.3% to 5.6 million this financial year. Domestic passengers increased by 1.5% to 5 million as a result of more international passengers visiting Cairns from within Australia. However, this has been partially offset by a reduction in direct international services to Cairns, which contributed to an 8.8% decrease in international passenger volumes to 608,177.

This financial year, MacKay Airport commenced construction on a 152-roomed ibis hotel and Cairns Airport revised its commercial property development plan to maximise the potential of its land holding. Also, Cairns Airport has been focused this financial year on taking advantage of regional growth opportunities, including those that may result from the planned A$8.15-billion local Aquis Great Barrier Reef Resort and casino development, 13 kilometres north of Cairns.

2013

150,000

flights per year

2044

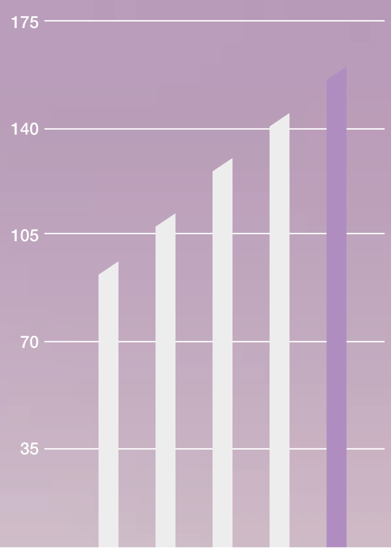
260,000

flights per year

Financial summary

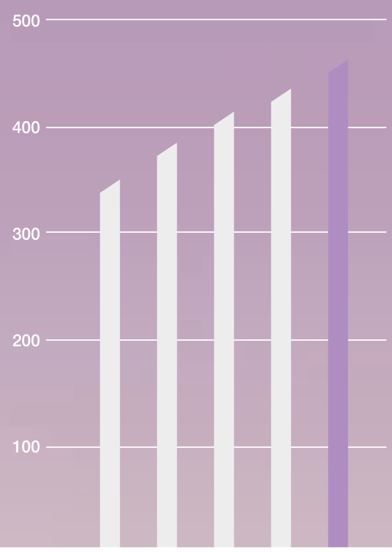
Underlying profit

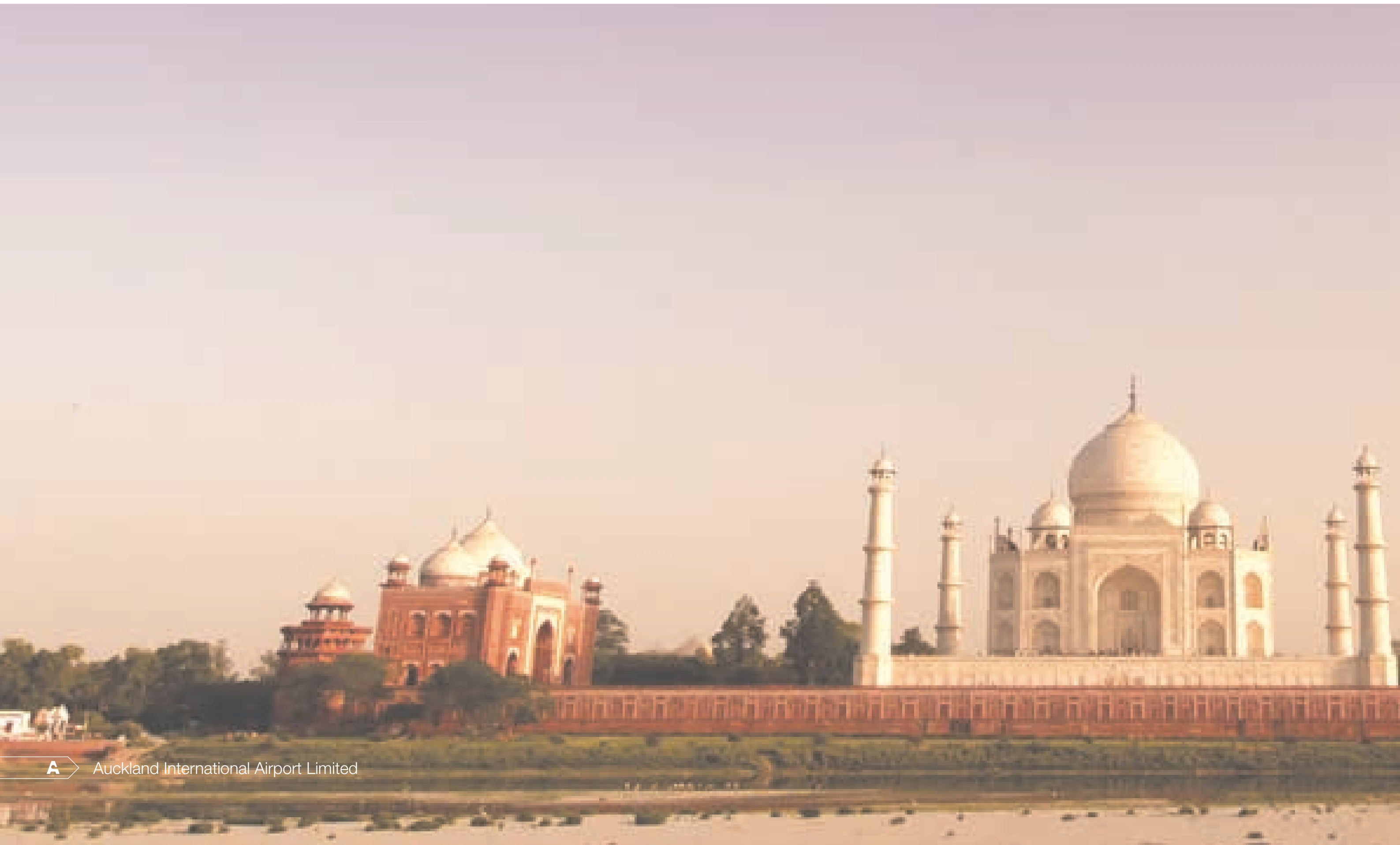
$169.9 million
up 10.5%



Revenue

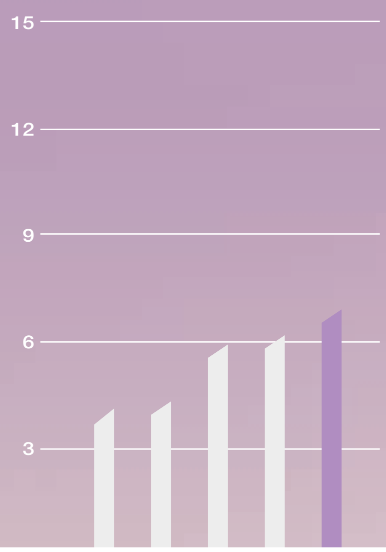
$475.8 million
up 6.1%



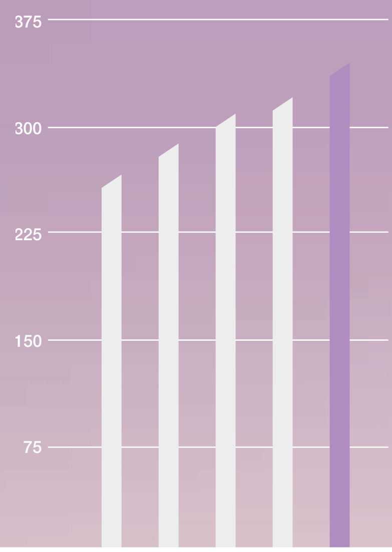


Taj Mahal at sunset, India

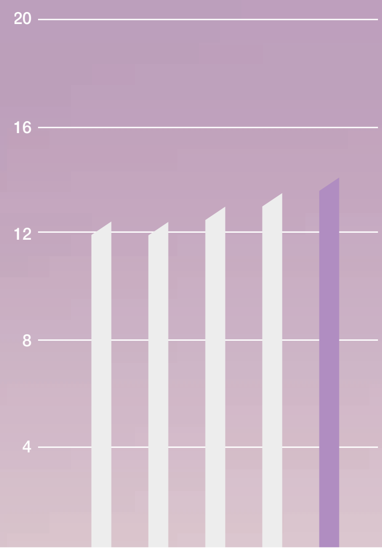
Final dividend
7 cents per share
up 12%



Operating EBITDAFI
$355.2 million
up 7.4%



Passenger movements
15.1 million
up 3.8%



Revenue
Growth

Revenue growth was achieved through strong aeronautical performance (up 8.6% or $17.3 million), property (up 7% or $3.8 million) and car parking (up 6.1% or $2.4 million).

Our total profit after tax for the 2014 financial year was up 21.3% to $215.9 million, while underlying profit after tax increased by 10.5% to $169.9 million.

Revenue increased by 6.1% to $475.8 million against the previous financial year. Revenue growth was achieved through strong aeronautical performance (up 8.6% or $17.3 million), property (up 7% or $3.8 million) and car parking (up 6.1% or $2.4 million).

Expenses increased by 2.6% to $120.6 million, with outsourcing expenses up 9% as a result of the increasing number of passengers using our Park&Ride service. The accrual of long-term incentive provisions, as a result of continued strong company and share price performance, also resulted in a 6.4% increase in staff costs.

The growth in expenses this financial year was lower than was revenue growth, meaning our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) have increased by 7.4% to $355.2 million.

Auckland Airport's total share of profit from associates totalled $11.6 million this financial year, an increase of 17.2% on the previous year. Our profit share from North Queensland Airports increased by 15.2% to $8.1 million, while the share from Queenstown Airport was up 25.7% to $1.7 million and from Novotel hotel up 19.2% to $1.9 million.

The final dividend for the year ending 30 June 2014 is 7 cents per share. This is in addition to the approximately $454 million of capital that was returned to our investors this financial year. The final dividend of 7 cents is imputed at the company tax rate of 28% and will be paid on 17 October 2014 to shareholders who are on the register at the close of business on 3 October 2014.

The table opposite shows how we reconcile reported profit after tax and underlying profit after tax for the 12 months ending 30 June 2014.

We have made the following adjustments to show underlying profit after tax for the 12-month periods ended 30 June 2014 and 30 June 2013:

- We have reversed out the impact of revaluations of investment property in 2014 and 2013. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring performance. Changes between years can be volatile and will consequently 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 also have adjusted the revaluation of the land class of assets within property, plant and equipment. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations; this also makes comparisons between years difficult.
- The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted and where the counterparty credit risk on derivatives impacts accounting hedging relationships. These gains or losses, like investment property, are unrealised and are expected to reverse out over the lives of the derivatives.
- To be consistent, we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2014 and 2013.
- We also allow for the taxation impacts of the above adjustments in both the 2014 and 2013 financial years.

21.3%

Total profit after tax was up 21.3% to $215.9 million

10.5%

Underlying profit after tax increased by 10.5% to $169.9 million

6.1%

Revenue increased by 6.1% to $475.8 million

	2014			2013		
	Reported earnings $000	Adjustments $000	Underlying earnings $000	Reported earnings $000	Adjustments $000	Underlying earnings $000
EBITDAFI per income statement	355,168	-	355,168	330,834	-	330,834
Share of profit of associates	11,632	(2,938)	8,694	9,921	(1,899)	8,022
Derivative fair value increases (decreases)	636	(636)	-	1,473	(1,473)	-
Investment property fair value increases	41,974	(41,974)	-	23,091	(23,091)	-
Property, plant and equipment revaluation	4,060	(4,060)	-	-	-	-
Depreciation	(63,541)	-	(63,541)	(62,053)	-	(62,053)
Interest expense and other finance costs	(68,171)	-	(68,171)	(66,689)	-	(66,689)
Other taxation expense	(65,877)	3,604	(62,273)	(58,610)	2,277	(56,333)
Profit after tax	215,881	(46,004)	169,877	177,967	(24,186)	153,781

Future focus

Over the next 12 months we will begin the concept design to significantly expand our international terminal's departure area.

Artist's impression only

Tourism

In the year ahead, we will partner with the Government in the Tourism Growth Partnership through our *Four Seasons – Five Senses* marketing campaign. The Partnership is an $8-million-per-annum government investment to lift productivity and boost tourism innovation to ensure the country gains more from the international visitor spend and is open to all of the tourism industry. Our *Four Seasons – Five Senses* initiative aims to make New Zealand the holiday destination of choice for Asian travellers via a sensory and experiential journey of our four seasons. It will help provide the tourism industry with the knowledge and tools to apply the initiative to its products and experiences and help the industry to develop new products to attract tourism buyers and tourists.

Delivering our 30-year vision

Auckland Airport is committed to delivering on our 30-year vision for the 'airport of the future'.

The $8.4-million expansion of our international baggage hall in the first half of the 2015 financial year is the first step of many towards our new combined domestic and international terminal. In July 2014, we started the groundworks to extend the international baggage hall by approximately 2,500 square metres and it will be completed by the end of November 2014. This extension will add a sixth baggage belt before the 2014 summer peak travel season and will have sufficient capacity to handle the luggage from an A380 flight. We also expect a seventh baggage belt will be required shortly after the upcoming peak season due to ongoing growth in international passengers.

Over the next 12 months, we will begin the concept design to significantly expand our international terminal's departure area. This will significantly increase our emigration capacity and our ability to accommodate new passenger growth and new border processes and will result in a much-improved passenger departure experience. Planned in accordance with our long-term terminal development vision, it is designed to be flexible and accommodate the changing needs of airlines, border agencies and passengers. At the same time, we will reform and expand the international departure retail net lettable area by up to 80%. Our early concept design work estimates for this whole project are approximately $125 million. This will transform our international departure experience, maximise the comfort of passengers while they await their flights and enable us to introduce a greater range of shops.

Also, Auckland Airport will be focused on upgrading our domestic terminal's retail environment over the next 12 months. The Bach Alehouse and Café will be refurbished, new food and convenience businesses will be opened at the regional end of the terminal and a Shaky Isles café and new convenience and news retailers will be opened after security.

Property development and transformation

The land around Auckland Airport's aeronautical business is known as The District. It is growing and rapidly becoming a community with businesses, shops, hotel accommodation and recreational facilities. As the airport continues to grow, The District will become a destination in itself. We have 314 hectares of land still to be developed in The District – the equivalent of more than 300 rugby fields.

The announcement of our 30-year vision means Auckland Airport's property team can now complete the development of The Landing – a world-class warehouse and logistics location on land that will eventually be on the northern side of our second runway. The Landing will have a number of excellent business facilities and is located next to 24 hectares of land that will be developed as public open space, bordering the Oruarangi Creek and linking to the Otuataua Stonefields.

TV Tower, Guangzhou, China

Governance

Safety and operational risk

The Board has continued to focus on safety and operational risk this financial year. Significantly, our safety culture survey indicates we have an internal culture that is proactive and focused on safety. The strength of our safety culture is evidenced in the sustainable reduction in employee lost-time injuries and a significant increase in the quality of reporting to ensure we can improve safety in our workplace on an ongoing basis. We also remain focused on ensuring we have the capacity to respond in emergency situations. This year, we purchased four Rosenbauer Panther firefighting vehicles which are designed specifically to cater for the full fleet of aircraft using Auckland Airport, including the A380.To further improve our capability to respond to emergencies on the Manukau Harbour, we have upgraded our marine rescue fleet. From November 2014, we will have a new 11-metre working boat, a 12-metre command and firefighting boat and a new Griffon 2000TD hovercraft.

This financial year, our airfield operations team achieved five years without a lost-time injury.

Diversity

Auckland Airport strongly values and supports diversity, ensuring that the company and its leadership, management and employees reflect the diverse range of individuals and groups within our society. This financial year, Auckland Airport established an employee diversity committee to ensure the company recognises the value of diversity.

Dr Keith Turner

In April 2004, Dr Keith Turner joined the Auckland Airport Board. Since then he has been a committed and valuable director, focused on the transformation of the company to one focused on delivering travel, trade and tourism growth for New Zealand. He has played a significant leadership role in the recent transitions of the Board chair and chief executive, and, during his time as a director, he has helped deliver excellent returns for shareholders. For the past seven years, Keith has been the Board's deputy chair and he is currently the chair of the human resources and safety and operational risk committees. Keith will step down from the Board in October 2014 to pursue other directorships and interests.

> Keith has been an outstanding leader of the company – as a director, a committee chair and the Board's deputy chair. On behalf of everyone, I thank him for his invaluable contribution over the past 10 years and wish him well for the future. He leaves behind a profitable company, focused on delivering for New Zealand. He can be very proud of his legacy.

Sir Henry van der Heyden
Chair

Future Director Programme

In July 2014, the Board announced it had selected Shelley Cave to participate in the Future Director programme. Shelley is a consultant at Simpson Grierson, a board member of the Financial Markets Authority and also was recently appointed to the Government Superannuation Fund Authority. She has held previous roles on the Financial Markets Authority Establishment Board and the Securities Commission, and her legal career has spanned 22 years as a mergers and acquisitions and capital markets specialist. In her role as a Future Director, Shelley is able to actively participate in all Board and committee meetings; however, she does not take part in the actual decision-making. The Future Director programme helps promote diversity of leadership and the development of governance talent in New Zealand. Shelley will be Auckland Airport's Future Director during the 2015 financial year and her selection follows the highly successful Future Directorship of Sheridan Broadbent in 2013.

The Board

ROW 1

Sir Henry van der Heyden | CHAIR

Dr Keith Turner | DEPUTY CHAIR

John Brabazon | DIRECTOR

Richard Didsbury | DIRECTOR

ROW 2

Brett Godfrey | DIRECTOR

Michelle Guthrie | DIRECTOR

James Miller | DIRECTOR

Justine Smyth | DIRECTOR

Board profiles

Sir Henry van der Heyden Chair

KNZM, BE (Hons)

Sir Henry van der Heyden was appointed chair of the company in October 2013. His goal is to lead and support the growth of strong, internationally competitive and sustainable businesses which contribute to New Zealand's economy and the well-being of its people.

He is chairman of Tainui Group Holdings Limited and chairman of Manuka SA Limited. He is a director of Rabobank New Zealand Limited, Rabobank Australia Limited, Foodstuffs North Island Limited and Pascaro Investments Limited.

Sir Henry graduated from The University of Canterbury with a Bachelor of Engineering degree with Honours and served in dairy industry governance roles for 24 years. He is a past chairman of the New Zealand Dairy Group and was the chairman of Fonterra from 2002 to 2012.

Sir Henry was awarded Chairman of the Year in 2012 and The New Zealand Herald Business Person of the Year in 2007. In 2009, Sir Henry was appointed a Distinguished Companion of the New Zealand Order of Merit.

He brings to the Board strong governance skills and a deep understanding of domestic and international business. Sir Henry has an open, energetic and down-to-earth approach to his governance and mentoring work.

Dr Keith Turner Deputy Chair

BE (Hons), ME, PhD, FIEE, Dist. FIPENZ, MInstD

Keith Turner was appointed a director of the company in 2004 and deputy chair in 2007. He is the chair of Auckland Airport's human resources and safety and operational risk committees.

He has 39 years' experience in the New Zealand electricity industry, the last 21 years of which have been spent in senior executive positions.

Keith has participated in widespread reform of the industry, both in industry review teams and acting for the Government on a range of industry boards.

In 1999, he took up the position of chief executive of Meridian Energy Limited following the breakup of Electricity Corporation of New Zealand Limited, a role from which he retired in 2008.

He has an extensive track record in creating value from infrastructure with a particular focus on identifying market opportunities, strategic analysis, large capital project development and execution, organisational culture and large-scale operations.

Keith is chair of Fisher & Paykel Appliances Limited and Team New Zealand Limited. He is a director of Chorus Limited and Spark Infrastructure Limited, a company listed on the Australian stock exchange.

John Brabazon

BCom, ACA, AFInstD, F FIN

John Brabazon was appointed a director of the company in 2007.

He graduated in commerce from The University of Auckland and is an executive director of merchant bankers Clavell Capital Limited. He has approximately 30 years' experience in the capital markets.

John is also a governing member of Round Mountain Oil, LLC in the USA and a director of Dairy Farms NZ Limited.

He is a member of the New Zealand Institute of Chartered Accountants, an Accredited Fellow of the Institute of Directors in New Zealand (Inc), a Fellow of the Financial Services Institute of Australasia and a Certified Finance and Investment Professional with the Institute of Finance Professionals New Zealand Inc.

Richard Didsbury

BE

Richard Didsbury was appointed a director of the company in 2007.

He graduated in engineering from The University of Auckland.

In 1992, Richard was a co-founder of the Kiwi Income Property Trust (KIPT), which is the largest diverse property investment vehicle listed on the New Zealand stock exchange, owning major assets such as the Sylvia Park retail complex and the Vero office building in Auckland. He remains a director of the management company of KIPT.

He is a director of the Hobsonville Land Company, which is developing a major new waterfront community in north-west Auckland, and a director of SKYCITY Entertainment Group Limited.

He is passionate about Auckland and is chairperson of the Committee for Auckland.

Richard offers complementary skills to the Board of Auckland Airport. This is particularly true of his extensive property-development expertise which, together with his experience of transportation issues gained during his time on the board of Infrastructure Auckland, continues to be of significant value to the company as it evolves the optimum masterplan for its long-term future.

Brett Godfrey

BCom, ACA

Brett Godfrey was appointed a director of the company in 2010.

He is a chartered accountant and has had a 20-year career in airlines, holding senior finance positions which culminated in conceptualising and writing the business plan for what is now Virgin Australia Limited. He was the airline's founding chief executive and led the company until 2010.

Today, Brett maintains his connection to the industry as a director of Canada's publicly listed second-largest airline, WestJet.

His keen interest and experience in marketing is channelled into his position on the board of Tourism Australia.

He has been awarded the Australian Centenary Medal for his service to tourism and aviation, and was recognised as the Australian Chief Executive of the Year by the Customer Service Institute of Australia and the Outstanding Chartered Accountant in Business by the Australian Institute of Chartered Accountants.

Michelle Guthrie

BA, LLB (Hons)

Michelle Guthrie was appointed as a director of the company in October 2013. She is a seasoned media executive with 13 years' experience in Asia-focused roles and experience in the areas of digital marketing, business development, business acquisitions, law and governance. She is currently an executive at Google Asia International Pacific based in Singapore.

Michelle has considerable international board experience. She currently sits on the boards of Modern Times Group in Sweden, Pacific Star Network in Melbourne and Plan International in Hong Kong.

Also, she has sat previously on a number of other boards including Metro in Sweden, Verisign in the United States and numerous Asian media boards. Michelle is an Australian living in Singapore and travels regularly throughout Asia as part of her current role with Google. She speaks Mandarin and her experience and skills broaden the Board's and the company's engagement with new markets, in particular key growth markets in Asia. Her customer engagement and new media experience serves the airport well as it addresses the challenges and opportunities of the digital era.

James Miller

BCom, FCA, AMInstD

James Miller was appointed a director of the company in 2009. He is the chair of Auckland Airport's audit and financial risk committee.

James has spent 14 years working in the share-broking industry. During this time, he has specialised in the strategy and valuation of airport and utility companies. Specifically, he had a leading role in the valuation and global pre-marketing of Auckland Airport and Beijing Capital International Airport and of Contact Energy Limited and Vector Limited initial public offers.

James is a qualified chartered accountant and is a Fellow of the New Zealand Institute of Chartered Accountants, a Certified Securities Analyst Professional, a member of the Institute of Directors in New Zealand and is a graduate of the Advanced Management Program at Harvard Business School (USA). James is deputy chair of NZX Limited, a member of the Financial Markets Authority, and a director of Accident Compensation Corporation and Mighty River Power Limited.

Justine Smyth

BCom, CA

Justine Smyth was appointed a director of the company in 2012.

Justine is currently a director of Spark New Zealand Limited and chair of its human resources board sub-committee, a board member of the Financial Markets Authority and chair of The New Zealand Breast Cancer Foundation.

Previous roles include deputy chair of New Zealand Post Limited and chair of its finance, audit, investment and risk committee.

Justine's background also includes having been group finance director of Lion Nathan Limited and a partner of Deloitte.

Justine is an owner and executive director of a clothing manufacture and wholesale business.

Through her roles, Justine has strong experience in retail, governance, mergers and acquisitions, taxation and financial performance of large corporate enterprises, and the acquisition, ownership, management and sale of small and medium enterprises.

Leadership team


Adrian Littlewood


Simon Robertson


Richard Barker


Jason Delamore


Graham Matthews


Judy Nicholl


Charles Spillane


Mark Thomson

Adrian Littlewood BA, LLB
Chief Executive

Adrian leads the team at Auckland Airport and is responsible for setting our strategic direction and working with the Board to drive growth in travel, trade and tourism.

Prior to his appointment as chief executive in November 2012, Adrian was our general manager of retail and commercial, where he led strong growth and development of non-aeronautical revenue. Adrian joined the airport in 2009 and has a background in corporate law, strategy, marketing and management. He previously worked for Telecom New Zealand Limited, Baker & McKenzie and Bell Gully.

Adrian is a director of North Queensland Airports and the Tourism Industry Association, New Zealand. He is an executive member of the New Zealand Airports Association and the co-chair of the Australia New Zealand Leadership Forum.

Simon Robertson BCom, CA
Chief Financial Officer

Simon commenced as the Auckland Airport chief financial officer in 2009 and is responsible for managing our corporate strategy, financial affairs and business technology.

He joined us in 2005 and has held a number of senior financial, aeronautical and management roles in his time with Auckland Airport. Simon has experience in senior financial roles in the manufacturing, entertainment and marine sectors, with strong financial, treasury and strategic expertise. Simon holds a Bachelor of Commerce degree from The University of Auckland and is a chartered accountant.

Richard Barker BMS, KMI
General Manager
Retail and Commercial

Richard is responsible for Auckland Airport's retailing businesses, including duty free, specialty retail, and food and beverage. He is also responsible for transport and car parking. Richard spent more than 20 years in retail, sales, marketing and operational roles for BP in New Zealand, Australia, London and Chicago. Prior to joining Auckland Airport in October 2013, he played a leading role in the original conception, development and operation of the new Z Energy retail proposition.

Jason Delamore BA, MBS
General Manager
Marketing and Communications

Jason is responsible for the development of Auckland Airport's marketing capability and leads the development of our online channel initiative. Before joining us in January 2014, Jason led the New Zealand operations of Landis+Gyr, a global technology company specialising in the energy sector. He has held senior roles in marketing, sales and strategic partnerships and channels for a number of major listed companies including Vector, IBM, Lucent and Contact Energy.

Graham Matthews BSc (Hons), MBA, FRICS
General Manager
Airport Development and Delivery

Graham is responsible for the airport's development and implementation of our 30-year vision. A chartered surveyor, Graham has undertaken a wide range of finance, development, project and programme director roles – including with BAA plc, Heathrow Express Limited, Accenture, EC Harris and Lynton plc. More recently, he has held senior roles in New Zealand Trade and Enterprise, Canterbury Earthquake Recovery Authority and Hampton Jones Limited. Graham is a Fellow of the Royal Institution of Chartered Surveyors and sits on its World Governing Council. He joined Auckland Airport in October 2013.

Judy Nicholl BEd, MEdLd (Hons)
General Manager
Aeronautical Operations

Judy has leadership responsibility for the operation of New Zealand's largest airport. The aeronautical division provides operational excellence by working with airlines and agencies to deliver a quality experience for all visitors and passengers travelling to and from New Zealand through Auckland Airport. She undertakes general management of all commercial leasing, facilities management, operational processing, policy and compliance matters relating to airport operations.

Judy joined us in 2006 and, prior to that, held human resource positions in Fonterra and New Zealand Police. She is experienced in quality management facilitation, research and project management, and frontline management.

Charles Spillane BA, LLB (Hons)
General Manager
Corporate Affairs
Aeronautical Commercial (Acting)
General Counsel

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

As Acting General Manager Aeronautical Commercial, Charles is responsible for developing and growing new and existing commercial relationships with airline, trade and tourism customers, covering both passenger and freight activities.

Mark Thomson BCom
General Manager
Property

Mark leads the property team and is responsible for continuing to transform the airport into a vibrant business destination, developing new commercial business premises and attracting high-profile companies. He has more than 20 years' experience in real estate management and development, and a wealth of experience in the transport and logistics sectors. Mark started his career in commercial brokerage in New Zealand and has since managed portfolios for the Crown Estate Commissioners (London) and Telecom New Zealand Limited. Before joining the airport in April 2014 he was the director of strategy execution and property (Asia) for Toll Global Logistics, responsible for Toll's real estate interests spread across 12 countries, including China, Singapore and India.

Financials

Financial Report 2014

Introduction

Auckland Airport is once again pleased with the financial outcomes for the 12 months ending 30 June 2014, the fourth consecutive year of double digit underlying profit. As a result of this strong performance we have been able to deliver investors a final dividend of 7.0 cents per share. This is in addition to the $454.146 million of capital returned to shareholders in April 2014.

Our five-year business strategy, Faster, Higher, Stronger, has guided our financial decision making during the 2014 financial year. We have strived to grow faster, aim higher and become stronger in each of our four key focus areas: grow travel markets; strengthen our consumer business; be fast, efficient and effective; and invest for future growth. We have achieved this while maintaining a focus on controlling costs, although not at the expense of prudent investment where it can assist our future performance. Working on our performance today, while remaining focused on our future, ensures we can deliver results for our city, customers and country, as well as our investors.

This financial report for the 2014 financial year provides an analysis of our financial results and key trends. It covers the following areas:

- 2014 Financial performance summary
- Key Financial performance measures
- 2014 Passenger volume analysis
- 2014 Aircraft volume analysis
- 2014 Financial performance analysis
- 2014 Financial position analysis
- 2014 Returns for shareholders

7 cents

DIVIDEND

Dividend of 7.0 cents per share

$215.9m

PROFIT

Profit after taxation for the 2014 financial year is $215.9 million an increase of 21.3%

2014 Financial performance summary

This 2014 financial report provides an overview of the financial results and key trends for the year ended 30 June 2014 compared with those for the previous financial year. Readers should refer to the accompanying notes and accounting policies as set out in the financial statements for a full understanding of the basis on which the financial results are determined.

Our reported profit after taxation for the 2014 financial year is $215.9 million an increase of 21.3% on the prior year's reported profit of $178.0 million. Excluding fair value changes our underlying profit after taxation for the 2014 financial year is $169.9 million, an increase of 10.5% on the prior year's underlying profit of $153.8 million.

Key financial results are shown below.

	2014 $m	2013 $m	% change
Income	475.814	448.458	6.1
Expenses	120.646	117.624	2.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**355.168**	**330.834**	**7.4**
Reported profit after tax	215.881	177.967	21.3
Underlying profit after tax	**169.877**	**153.781**	**10.5**
Earnings per share (cents)	16.68	13.46	23.9
Underlying earnings per share (cents)	13.13	11.63	12.9
Ordinary dividends for the full year			
- cents per share	7.00	12.00	(41.7)
- amount	83.334	158.730	(47.5)
Capital return			
- cents per share	34.30	-	-
- amount	454.146	-	-

This financial year revenue increased by 6.1% to $475.8 million, in part due to strong aeronautical performance. Significant revenue growth was also achieved by property (up 7.0% or $3.8 million) and car parking (up 6.1% or $2.4 million). Expense growth was modest, increasing by 2.6% to $120.6 million.

A key financial event in the last 12 months was the capital return. In November 2013 Auckland Airport announced its intention to seek shareholder approval for a capital return and accompanying share cancellation. The capital return was in response to several years of strong financial performance, improving credit metrics and our strategic desire to 'Be Fast, Efficient and Effective' including the efficiency of our balance sheet funding. The capital return of $454.146 million was paid to shareholders in April 2014. As the capital return coincided with the time of year that we could be expected to pay an interim dividend there was no interim dividend in this financial year.

REVENUE

6.1%

This financial year revenue increased by 6.1% to $475.8 million

Underlying profit is how we measure our performance

We understand the importance of reported profits meeting accounting standards. Because Auckland Airport complies with accounting standards, investors can confidently know that comparisons can be made between different companies and that there is integrity in the reporting approach of an entity. However, we also believe that an underlying profit measurement can assist 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 profits alongside reported results. We do so when we report our results but also when we give our market guidance where we exclude fair value changes and other one-off items, or when we consider dividends and our policy to pay 100% of net profit after tax, excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items. However, in referring to underlying profits, we also acknowledge our obligation to show investors how we have derived this result.

The table below shows how we reconcile reported profit after tax and underlying profit after tax for the 12 months ending 30 June 2014.

	2014			2013		
	Reported earnings $000	Adjustments $000	Underlying earnings $000	Reported earnings $000	Adjustments $000	Underlying earnings $000
EBITDAFI per Income Statement	355,168	-	355,168	330,834	-	330,834
Share of profit of associates	11,632	(2,938)	8,694	9,921	(1,899)	8,022
Derivative fair value increases (decreases)	636	(636)	-	1,473	(1,473)	-
Investment property fair value increases	41,974	(41,974)	-	23,091	(23,091)	-
Property, plant and equipment revaluation	4,060	(4,060)	-	-	-	-
Depreciation	(63,541)	-	(63,541)	(62,053)	-	(62,053)
Interest expense and other finance costs	(68,171)	-	(68,171)	(66,689)	-	(66,689)
Taxation expense	(65,877)	3,604	(62,273)	(58,610)	2,277	(56,333)
Profit after tax	**215,881**	**(46,004)**	**169,877**	**177,967**	**(24,186)**	**153,781**

We have made the following adjustments to show underlying profit after tax for the 12-month periods ended 30 June 2014 and 30 June 2013:

- We have reversed out the impact of revaluations of investment property in 2014 and 2013. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring performance. Changes between years can be volatile and will consequently 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 adjusted the revaluation of the land class of assets within property, plant and equipment. The fair value changes in property, plant and equipment are less frequent than investment property revaluations also making comparisons between years difficult.
- The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted and where the counterparty credit risk on derivatives impact accounting hedging relationships. These gains or losses, like investment property, are unrealised and are expected to reverse out over the lives of the derivatives.
- To be consistent, we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2014 and 2013.
- We also allow for the taxation impacts of the above adjustments in both the 2014 and 2013 financial years.

Key financial performance measures

Auckland Airport monitors a wide range of financial and non-financial performance measures. Depending on the nature of an employee's responsibilities, different performance measures have more or less relevance.

This year we have again considered the measures which best indicate our financial performance against the strategic themes that are the most relevant for this financial report. The four strategic themes in Faster, Higher, Stronger are:

GROW TRAVEL MARKETS	Adopt an ambitious and innovative approach to help New Zealand sustainably unlock growth opportunities in travel, trade and tourism.
STRENGTHEN OUR CONSUMER BUSINESS	Strengthen and extend our retail, transport and accommodation businesses to ensure we can respond to evolving customer needs.
BE FAST, EFFICIENT AND EFFECTIVE	Improve our performance by increasing the productivity of our assets, processes and operations.
INVEST FOR FUTURE GROWTH	Build on our strong foundations for long-term sustainable growth by continuously investing in infrastructure so it supports our long-term requirements.

The key financial performance measures are outlined in the following table. The table lists each measure, provides the corresponding performance outcome and indicates which of our four strategic themes is the most relevant to the financial performance measure.

Commentaries on financial performance outcomes are included in the analysis in the remainder of this financial report.

STRATEGY	MEASURE	2014	2013	2012	% Change 2013-2014	% Change 2012-2013
GROW TRAVEL MARKETS	**Total aircraft seat capacity**					
	International aircraft seat capacity	10,499,819	10,141,014	10,210,464	3.5	(0.7)
	Domestic aircraft seat capacity	8,912,475	8,420,058	7,930,289	5.8	6.2
	Passenger movements					
	International passenger movements	7,687,836	7,317,324	7,193,975	5.1	1.7
	International transit passenger movements	462,560	438,354	575,232	5.5	(23.8)
	Domestic passenger movements	6,911,689	6,760,537	6,236,915	2.2	8.4
	Maximum certified take-off weight (MCTOW)					
	International MCTOW (tonnes)	4,339,266	4,104,679	4,167,792	5.7	(1.5)
	Domestic MCTOW (tonnes)	1,879,199	1,824,689	1,733,819	3.0	5.2
STRENGTHEN OUR CONSUMER BUSINESS	**Passenger spend rate (PSR) growth**					
	Change in international Terminal PSR	(2.4%)	(1.1%)	8.1%		
	Average revenue per parking space (ARPS) growth					
	Change in ARPS	0.4%	9.1%	10.5%		
BE FAST, EFFICIENT AND EFFECTIVE	**Return on investment**					
	After tax return on capital employed	7.5%	7.8%	6.9%		
	Passenger satisfaction/Airport Service Quality					
	International	4.21	4.24	4.27	(0.7)	(0.6)
	Domestic	3.89	4.01	3.98	(3.0)	0.8
INVEST FOR FUTURE GROWTH	**Rent roll (committed rental income as at 30 June)**					
	Annual rent roll $m (property division)	46.626	43.998	39.017	6.0	12.8
ALL	**EBITDAFI**					
	EBITDAFI per passenger	$23.58	$22.79	$22.80	3.5	(0.0)

2014 Passenger volume analysis

Passenger volume is a significant driver of value for Auckland Airport. For example, the majority of aeronautical revenues are from passenger charges. Of the passenger types, international passenger volumes have a greater impact on value than volumes of domestic passengers. Aeronautical revenue from international passengers is about four times greater than it is for domestic passengers.

	2014	2013	% change
Auckland passenger movements			
International arrivals	3,847,132	3,664,376	5.0
International departures	3,840,704	3,652,948	5.1
International passengers excluding transits	**7,687,836**	**7,317,324**	**5.1**
Transit passengers	462,560	438,354	5.5
Total international passengers	**8,150,396**	**7,755,678**	**5.1**
Domestic passengers	6,911,689	6,760,537	2.2
Total passenger movements	**15,062,085**	**14,516,215**	**3.8**

International passenger numbers (excluding transits) grew by 5.1% in the 12 months to June 2014 compared to those for the prior year. This was a strong outcome across a broad range of routes and markets.

In the 2014 financial year, our work to grow travel markets with airlines and other travel partners culminated in several air capacity increases across a range of markets. In particular, Auckland Airport had capacity increases with Emirates to Brisbane and Dubai, China Southern Airlines to Guangzhou, Malaysia Airlines to Kuala Lumpur, LAN Airlines to Santiago and Sydney, China Eastern to Shanghai, China Airlines to Brisbane and Taipei, and Air New Zealand to North America.

Domestic passenger numbers grew more modestly at 2.2% in the 12 months to June 2014 compared to the very strong growth in the prior year of 8.4%.

PASSENGERS

5.1%

International passenger numbers grew by 5.1% in the 12 months to June 2014

Broad base of growth supports the increase in international arrivals

This financial year we reiterated our drive to develop passenger arrivals from key markets. In particular, we continue to see the opportunities arising from routes flying to destinations that are within one flight from Auckland – Asia, the Americas and Australia – and, during the year, we announced an ambitious target for our country to collectively grow the number of visitors to New Zealand to over 5.0 million by 2025, up from current New Zealand visitor arrivals of 2.7 million.

International passenger growth has been broad across a range of source markets this financial year. Asian source markets such as Indonesia, Singapore, Malaysia and India each had growth in excess of 10%. We also have seen a recovery from traditional markets including France, Germany and the USA, also each with growth in excess of 10%.

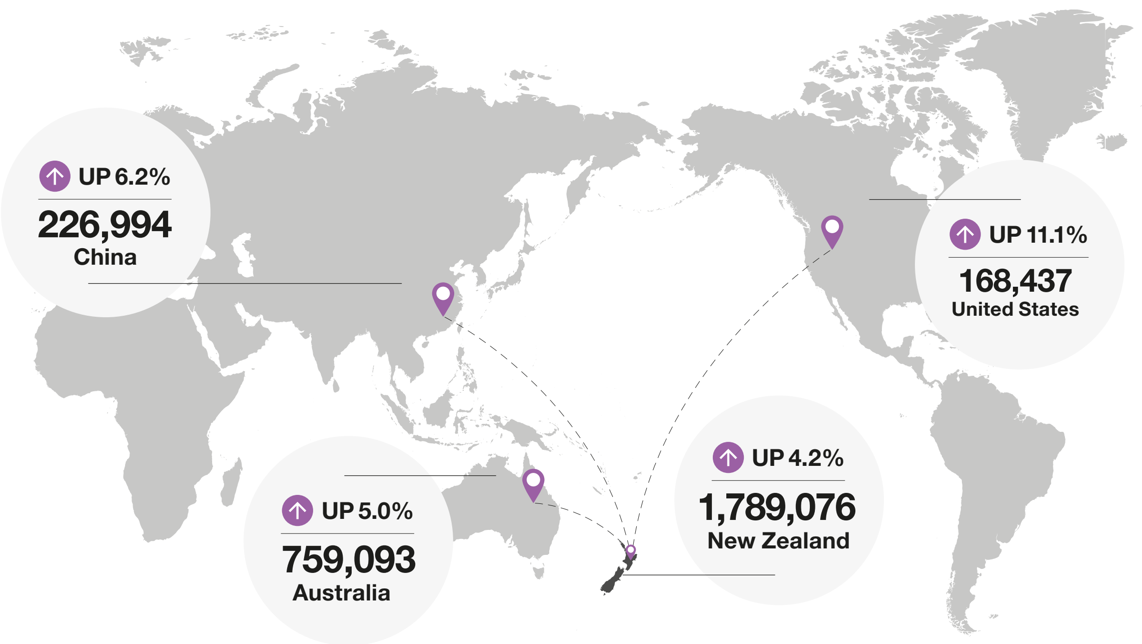
In absolute passenger volume terms we saw healthy increases from our four largest source markets. New Zealander passenger numbers increased by 71,790 (4.2%), Australian passengers by 36,104 (5.0%), Chinese passengers by 13,213 (6.2%) and additional services to North America, including the full year impact of Hawaiian Airlines, has helped drive a United States passenger increase of 16,847 (11.1%).

The table below shows the top 20 arrivals into Auckland Airport by country of last permanent residence this financial year:

Country of last permanent residence	2014 arrivals	2013 arrivals	% change	% of 2014 arrivals	% of 2013 arrivals
New Zealand	1,789,076	1,717,286	4.2	46.7	47.1
Australia	759,093	722,989	5.0	19.8	19.8
China, People's Republic of	226,994	213,781	6.2	5.9	5.9
United States of America	168,437	151,590	11.1	4.4	4.2
United Kingdom	160,669	161,258	(0.4)	4.2	4.4
Japan	61,975	63,564	(2.5)	1.6	1.7
Germany	58,371	49,939	16.9	1.5	1.4
Canada	43,013	41,287	4.2	1.1	1.1
Korea, Republic of	41,490	40,258	3.1	1.1	1.1
India	34,414	30,215	13.9	0.9	0.8
Singapore	27,865	23,769	17.2	0.7	0.7
France	25,709	21,560	19.2	0.7	0.6
Hong Kong (Special Administrative Region)	25,514	24,186	5.5	0.7	0.7
Fiji	24,334	23,607	3.1	0.6	0.6
Malaysia	22,919	19,575	17.1	0.6	0.5
Samoa	18,906	17,536	7.8	0.5	0.5
Taiwan	18,554	17,278	7.4	0.5	0.5
New Caledonia	17,539	16,696	5.0	0.5	0.5
Netherlands	17,054	16,865	1.1	0.4	0.5
French Polynesia	15,301	15,355	(0.4)	0.4	0.4
Other	274,918	257,252	6.9	7.2	7.1
Total Arrivals	**3,832,145**	**3,645,846**	**5.1**	**100.0**	**100.0**

SOURCE: STATISTICS NEW ZEALAND

Top 4 arrivals into Auckland Airport by country of last permanent residence – 2014



Overseas visitor arrivals by purpose of visit

The most common purposes of visit for international arrivals continue to be holidays (23.0%) and visiting friends and relatives (17.2%). The broad mix of purposes of visit for overseas travellers through the airport, combined with a strong origin traffic base (New Zealand outbound), the attractiveness of New Zealand's destinations and the mix of source markets of inbound passengers, provides Auckland Airport with a robust base of passenger volumes.

Purpose of visit	2014	2013	% change	% of total
Holiday/Vacation	882,960	823,536	7.2	23.0
Visit friends/relatives	659,408	629,680	4.7	17.2
Business/Conference	515,764	510,348	1.1	13.5
Education/Medical	89,382	86,482	3.4	2.3
Other (incl. not stated/not captured)	1,684,631	1,595,800	5.6	44.0

SOURCE: STATISTICS NEW ZEALAND

2014 Aircraft volume analysis

	2014	2013	% change
Aircraft movements			
International aircraft movements	45,809	44,314	3.4
Domestic aircraft movements	107,454	110,832	(3.0)
Total aircraft movements	**153,263**	**155,146**	**(1.2)**
MCTOW (maximum certificated take-off weight)			
International MCTOW (tonnes)	4,339,266	4,104,679	5.7
Domestic MCTOW (tonnes)	1,879,199	1,824,689	3.0
Total MCTOW	**6,218,465**	**5,929,368**	**4.9**

Total aircraft movements were 153,263, a decrease of 1.2% from the 2013 financial year while MCTOW increased to 6,218,465, up 4.9%. Auckland Airport's airfield income is determined from the MCTOW of aircraft landing at Auckland Airport. Aircraft movements have decreased this financial year due to airlines using larger aircraft, predominantly on domestic routes, in order to increase capacity rather than offering additional flight frequency.

This continues the up-gauging trend seen over several years now. The use of larger aircraft means that we can better use the existing runway to maximise passenger and MCTOW growth without the large capital expenditure of an additional runway, until it is required.

International MCTOW increased in the 2014 financial year over the prior period. This was due to increases in services and some up-gauging of aircraft, in particular, Emirates using an A380 on its Brisbane to Dubai route from October 2013. Domestic MCTOW increased by 3.0% because Air New Zealand operated larger aircraft on regional and jet routes.

2014 Financial performance analysis

Revenue

Auckland Airport's total revenue was $475.814 million in the 2014 financial year, an increase of $27.356 million or 6.1% on the previous financial year. This was driven by a rise in total aeronautical revenue (including airfield income, passenger services charge (PSC) and aeronautical rental income) of 8.0%. Other areas delivering solid growth included property rental growth of 10.0% and car park income growth of 6.1%.

	2014 $m	2013 $m	% change
Operating revenue			
Airfield income	87.607	81.573	7.4
Passenger services charge	131.552	120.242	9.4
Retail income	127.073	124.308	2.2
Car park income	42.815	40.370	6.1
Rental income - Property	45.211	41.099	10.0
Rental income - Aeronautical	13.553	13.885	(2.4)
Rental income - Retail	0.496	0.423	17.3
Total rental income	59.260	55.407	7.0
Rates recoveries	4.626	4.180	10.7
Interest income	2.002	2.823	(29.1)
Other income	20.879	19.555	6.8
Total revenue	475.814	448.458	6.1

Airfield income

Airfield landing charges are based on the MCTOW of aircraft. Total MCTOW across international and domestic landings grew by 4.9% in the year to 30 June 2014. MCTOW growth, together with the 2.5% price increase to landing charges, generated the airfield income increase of $6.034 million or 7.4%.

Passenger services charge

PSC income increased in line with the published pricing schedule. The 2014 financial year saw the completion of the graduated introduction of PSC charges on passengers between two and 12 years of age. The charge was introduced in the last financial year as part of the revised pricing structure at 50% of the standard rate. Prior to the 2013 price setting event this group was exempt from PSC charges. Passengers under two years of age remain free.

	2013 $	2014 $	2014 price change %	2015 $	2015 price change %
International PSC	15.16	15.39	1.5	15.62	1.5
International PSC (two - 12 year olds)	7.58	15.39	103.0	15.62	1.5
Domestic PSC (≥ two years)	1.98	2.03	2.5	2.08	2.5
Transits PSC (≥ two years)	3.65	3.74	2.5	3.83	2.4

Due to the pricing changes outlined above as well as strong passenger growth, total PSC increased by $11.310 million or 9.4% in the year to 30 June 2014.

Retail income

Auckland Airport earns concession revenue from retailers within the domestic and international terminals, including duty free and specialty stores, foreign exchange and food and beverage outlets. Total retail income was $127.073 million this financial year, an increase of $2.765 million or 2.2% on the previous financial year.

International passengers spend more in the terminal than do domestic passengers and, therefore, are the highest value drivers for retail income.

Retail income earned per international passenger was $16.05 in the 2014 financial year compared with $16.49 in the 2013 financial year. The decline in revenue per passenger was consistent with the 2.4% decline in the international passenger spend rates (being the sales made by the retailers in the terminals) between the 2014 and 2013 financial years. This decrease in the passenger spend rate is primarily due to the weaker Australian dollar which has increased the price competitiveness of Australian-based retail alternatives and impacted duty free sales on trans-Tasman routes. New initiatives to refresh the offer, monitor price points, add more retail space as well as the introduction and development of our online retail channel are aimed at addressing the decline in passenger spend rates.

Car park income

To drive car park revenue, we continue to actively manage market segments, such as business or leisure, and price points through online and flexible pricing capability. As a result of this proactive approach, car park revenue was $42.815 million in the 2014 financial year, an increase of $2.445 million or 6.1% on the previous 12 month period.

To gauge our success in the yield management of our car parking spaces we measure our average revenue per space (ARPS). Late in the previous financial year we increased the car park capacity assisting us to grow revenues. We are pleased that ARPS has maintained similar levels to the previous financial year, growing 0.4% with this increase in capacity.
We continue to monitor the balance between introducing new car park capacity and revenue management (as measured by ARPS) to grow our car parking revenues.

Rental income

Auckland Airport earns rental income from space leased in facilities such as terminals and cargo buildings, and from stand-alone investment properties. Total rental income was $59.260 million in the 2014 financial year, an increase of 7.0% on the previous financial year. Property rental income (excluding aeronautical and retail rental income) was $45.211 million this financial year, an increase of $4.112 million or 10.0% on the last 12 months. The lift in income was primarily driven by full-year revenue streams from recently completed developments, such as Toll Global Forwarding, Flex multi-unit warehouse, and the spazioCasa warehouse. The recently completed warehouses of DHL, Panalpina and Hobbs Global Logistics Solutions will positively impact the revenue stream in the 2015 financial year. Positive rent reviews on existing property also contributed to the growth in property rental income.

Other income

Other income includes utilities such as sale of electricity, gas and water, and transport licence fees. Total income from these sources was $20.879 million, an increase of $1.324 million or 6.8% on the previous 12 month period.




Expenses

Total operating expenses (excluding depreciation and interest) were $120.646 million in the 2014 financial year, an increase of $3.022 million or 2.6% on the previous period.

	2014 $m	2013 $m	% change
Operating expenses			
Staff	42.502	39.953	6.4
Asset management, maintenance and airport operations	40.310	39.607	1.8
Rates and insurance	10.081	9.707	3.9
Marketing and promotions	13.750	14.138	(2.7)
Professional services and levies	6.806	7.491	(9.1)
Other	7.197	6.728	7.0
Total operating expenses	**120.646**	**117.624**	**2.6**

Operating expenses

The rise in staff costs is largely a result of the $1.018 million increase in the accruals for the senior management long-term incentive plans. This directly relates to the very strong company and share price performance over the past year. In addition, the leadership team restructure resulted in two new roles in the senior management team to oversee marketing and communications and airport development and delivery.

Asset management, maintenance and airport operations expenses have increased $0.703 million or 1.8% on the previous financial year. These increases are in line with our inflationary expectations even though they include increases in outsourced operations relating to increases in the capacity of car parking and our Emperor Lounge.

Rates and insurance expenses increased by $0.374 million or 3.9% on the previous 12 month period. The increase was due to an increase in rates as insurance costs actually saw a 1.2% decrease over the 2013 financial year. It should also be noted that rates increases on developed investment property are matched by an offsetting increase in rates recoveries under other income.

This financial year's decrease in marketing and promotions expenditure of $0.388 million or 2.7% is the result of reduced new marketing commitments. Route development continues to form a key component of Auckland Airport's Faster, Higher, Stronger strategy and additional marketing can be expected in the future where it drives increased passenger numbers to the airport.

Fees for professional services have decreased this financial year. The previous year was particularly high due to the activity last year surrounding regulatory activities.

Depreciation

Depreciation expense was $63.541 million, an increase of $1.488 million or 2.4% on the 2013 financial year. A number of assets have had their depreciable lives reduced to match expected lives. The incremental depreciation from this accelerated depreciation totals $1.258 million.

Interest

Interest expense was $68.171 million, an increase of $1.482 million or 2.2% on the 2013 financial year. The level of borrowings increased during the period, principally relating to the capital return, lifting overall interest costs. Offsetting the increase relating to higher borrowings was lower on-average interest costs of 5.95% compared to 6.21% in the prior year.

Taxation

Taxation expense was $65.877 million for this financial year, an increase of $7.267 million or 12.4% on the previous financial year. This reflects the growth in profit before taxation for the year (excluding property fair value adjustments).

Share of profit of associates

Total share of profit from associates in 2014 was $11.632 million, comprising North Queensland Airports (NQA) ($8.060 million), Tainui Auckland Airport Hotel Limited Partnership (TAAH) ($1.914 million) and Queenstown Airport ($1.658 million).

Included in the 2014 financial year's share of profit from associates of $11.632 million

(2013: $9.921 million) is: NQA's fair valuation gain on investment property of $2.241 million (2013: $1.307 million); TAAH's fair valuation gain on investment property of $0.550 million (2013: $0.450 million); and TAAH's fair valuation gain on financial instruments of $0.147 million (2013: gain of $0.142 million). Excluding these fair value changes, Auckland Airport's share of underlying profit from associates is $8.694 million for the 2014 financial year (2013: $8.022 million).

North Queensland Airports

Extract from 100 percent of North Queensland Airports' company results	2014 A$m	2013 A$m	% change
Financial performance			
Total revenue	123.969	119.202	4.0
EBITDAFI	79.299	75.068	5.6
Total net profit after tax	29.557	22.532	31.2
Passenger performance			
Domestic passengers - Mackay	1,076,227	1,176,026	(8.5)
Domestic passengers - Cairns	3,948,094	3,774,653	4.6
International passengers (excluding transits) - Cairns	505,302	554,934	(8.9)
International passengers (including transits) - Cairns	731,995	666,941	9.8

Auckland Airport's share of NQA's net profit after tax for the 2014 financial year was $8.060 million, an increase of $1.064 million (15.2%) over the 2013 financial year. Excluding fair value gains on investment property, Auckland Airport's share of NQA's underlying profit increased to $5.819 million, growth of $0.130 million (2.3%). A weaker Australian dollar in the 2014 financial year has limited the impact of the New Zealand dollar contribution from NQA in 2014.

International passenger numbers have decreased at Cairns Airport compared to the previous 12 months but this is offset by strong domestic growth. Mackay Airport is feeling the impact of reduced mining activity in northern Queensland with a reduction in passenger numbers of 8.5% on the previous year.

Auckland Airport received a total of A$13.206 million in dividends from its investment in NQA in the 2014 financial year (including A$2.504 million declared and receivable as at 30 June 2014), compared with A$10.801 million in the 2013 financial year (including A$3.019 million declared and receivable as at 30 June 2013).

Queenstown Airport

	2014 $m	2013 $m	% change
Financial performance			
Total revenue	21.905	19.567	11.9
EBITDAFI	15.237	12.923	17.9
Total net profit after tax	6.634	5.280	25.6
Passenger performance			
Domestic passenger volume	940,477	957,204	(1.7)
International passenger volume	308,402	241,714	27.6
Total passengers	**1,248,879**	**1,198,918**	**4.2**

Auckland Airport's share of Queenstown Airport's net profit after tax for the 2014 financial year was $1.658 million, an increase of 25.6% on the previous 12 months. Queenstown Airport achieved outstanding international passenger growth during the financial year, increasing 27.6%. Domestic passenger numbers retreated by 1.7% after growing at 12.4% in the 2013 financial year.

Auckland Airport received a dividend of $0.910 million from its investment in Queenstown Airport in this financial year, compared with $0.896 million in the 2013 financial year.

Tainui Auckland Airport Hotel Limited Partnership (TAAH)

Auckland Airport has a 20% investment in the Novotel Hotel joint venture with Tainui Group Holdings and Accor Hotel Group. In the 2014 financial year, Auckland Airport recorded a share of profit from this investment of $1.914 million, an increase of $0.308 million (19.2%) compared with the previous financial year. However, excluding TAAH's fair valuation gains on investment property and financial instruments, Auckland Airport's share of underlying profit from this investment was $1.217 million, an increase of $0.203 million (20.0%) compared with the 2013 financial year.

The hotel's occupancy rates were 86.5% for the full year to 30 June 2014, up from 83.2% for the year to 30 June 2013.

Fair value changes

In the 2014 financial year, investment property fair value changes resulted in a gain in the income statement of $41.974 million, compared with a gain of $23.091 million in the previous 12-month period. This was due to improvements in lease terms during the period combined with firming of the capitalisation rates of the property portfolio as well as improved land values for undeveloped land.

Also, as at 30 June 2014, the land class of assets within property, plant and equipment assets were revalued, resulting in an upward movement of $738.898 million. The previous revaluation of property, plant and equipment was undertaken as at 30 June 2011.
The revaluation uplift included $4.060 million recorded directly in the income statement and $734.838 million recorded directly in other comprehensive income. The revaluation has no impact on current or future aeronautical charges.

Derivative fair value changes during the 2014 financial year resulted in a gain in the income statement of $0.636 million, compared with a gain of $1.473 million in the 2013 financial year. These fair value changes relate to derivative financial instruments which have not been designated in a hedge relationship as well as the movement deemed ineffective due to credit valuation adjustments required under IFRS 13.

2014 Financial position analysis

As at 30 June	2014 $m	2013 $m	% change
Non-current assets	4,660.297	3,838.861	21.4
Current assets	73.622	99.691	(26.1)
Total assets	**4,733.919**	**3,938.552**	**20.2**
Non-current liabilities	1,360.830	1,232.873	10.4
Current liabilities	454.154	206.172	120.3
Equity	2,918.935	2,499.507	16.8
Total equity and liabilities	**4,733.919**	**3,938.552**	**20.2**

Our financial position, as at 30 June 2014, has been substantially impacted by two elements. They are the previously mentioned capital return in April 2014 and the upward revaluation of the land class within property, plant and equipment.

As at 30 June 2014, total assets amounted to $4,733.919 million, an increase of $795.367 million or 20.2% over the 2013 financial year. The asset values were most impacted by the revaluation of the land within property, plant and equipment assets, resulting in an upward movement of $738.899 million. Other upward movements include capital expenditure additions and fair valuation gains of investment property.

Shareholders' equity was $2,918.935 million as at 30 June 2014, an increase of $419.428 million or 16.8% on 30 June 2013. The key driver for this change was the property, plant and equipment revaluation partially offset by the $454.146 million reduction due to the capital return.

Gearing (measured as debt to debt plus the market value of shareholders' equity) increased to 24.7% as at 30 June 2014, from 22.8% as at 30 June 2013.

Capital expenditure

Category	Amount $m	Key projects
Aeronautical	52.576	Access control system upgrade, airport emergency services vehicles replacement, airfield concrete replacement, Pier A Gate 10 aerobridge conversion to cater for A380, domestic terminal space and capacity enhancement
Property	54.069	DHL Supply Chain development, ibis budget hotel expansion, Airport Shopping Centre redevelopment, Gateway landscape, Panalpina office and warehouse development, The Landing design and construction
Retail/Car parking	11.544	Park&Ride car park extension, international terminal level 2 redevelopment
Infrastructure and other	3.308	IT system development
Total	**121.497**	

Forecast capital expenditure for the 2015 financial year is expected to be between $120 and $130 million. This forecast includes an international baggage reclaim expansion, outbound processing and Ministry for Primary Industries layout streamlining, design of an expansion of outbound international processing and retail space and continued runway maintenance investments. Forecast property capital expenditure includes already committed and expected projects, but excludes any yet-to-be-committed property development which may arise during the 2015 financial year.

Category	Forecast 2015 $m
Aeronautical	74
Property	42
Retail, car parking, infrastructure and other	10
Total capital expenditure	**126**

Borrowings

As at 30 June 2014, Auckland Airport's total borrowings were $1,506.944 million, an increase of $364.999 million on 30 June 2013. The increase is a result of the higher level of borrowings required to fund the capital return paid in April 2014.

Auckland Airport's borrowings include commercial paper totalling $81.643 million, United States Private Placement (USPP) notes totalling $183.301 million, drawn bank facilities totalling $361.104 million, fixed rate bonds totalling $730.896 million and floating rate bonds totalling $150.000 million.

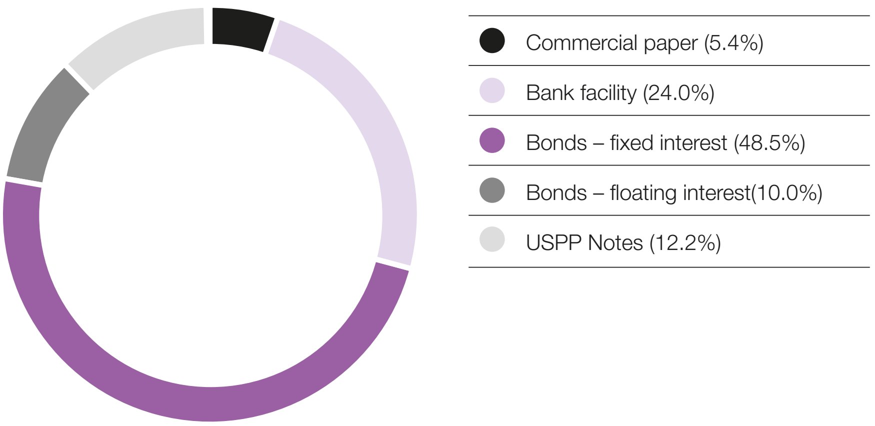
Short-term borrowings with a maturity of one year or less accounted for $380.120 million or 25.2% of total borrowings, an increase from the previous year of $248.411 million. The two most significant debt maturities in the short term are the temporary bridging facilities for the April 2014 capital return and the November 2014 bond maturity.

As part of the funding for the capital return, Auckland Airport issued $150.000 million three-year floating rate bonds. In May, a further $150.000 million was raised through the issue of a new seven-year bond at a fixed coupon interest rate of 5.52%. Both of these debt capital market bond issues proved very successful compared with trading in our other listed bonds and when compared with our peers. Subsequent to year-end Auckland Airport agreed terms on a USPP debt issue. The USD250.000 million has a 12-year term and a USD coupon rate of 3.61%. This debt will be drawn on 25 November 2014 and will fund the temporary bridge facilities established to fund the capital return as well as the November 2014 bond maturity.

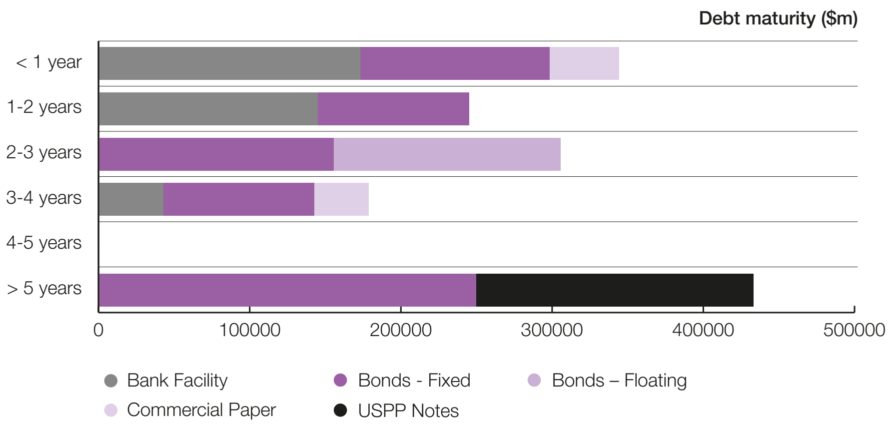
As at 30 June 2014, Auckland Airport had total bank facilities of $848.052 million, of which $361.104 million was drawn and, $486.948 million was available facilities. Of the $486.948 million available facilities, $310.000 million relates to temporary bridging facilities for the capital return. As at 30 June 2014, total bank facilities include: a $150.000 million Bank of Tokyo standby facility, of which $145.000 million has been drawn; a $135.000 million and A$40.000 million Commonwealth Bank of Australia multi-currency bank facility, of which the $135.000 million facility is undrawn and the A$40.000 million facility has been fully drawn; a $80.000 million Bank of New Zealand multi-currency bank facility of which A$40.000 million has been drawn; and two bridge facilities totalling $440.000 million of which $130.000 million has been drawn.

The Commonwealth Bank of Australia standby facility and the Bank of New Zealand multi-currency bank facility both support our commercial paper programme (current balance of $81.643 million as at 30 June 2014) through the availability of same-day draw-downs and provide liquidity backing for general working capital. As the commercial paper is supported by the bank facilities the following debt maturity profile chart, as at 30 June 2014, includes the commercial paper in the less than one year and three to four year brackets, matching the maturities of the supporting facilities.

Borrowings by category



Debt maturity profile – as at 30 June 2014



Auckland Airport manages its exposure to financial risk on a prudent basis. This is achieved by spreading borrowings across various roll-over and maturity dates, and entering into financial instruments, such as interest rate swaps, in accordance with defined treasury policy parameters. The average maturity of drawn debt as at 30 June 2014 is 3.24 years compared to 4.21 years as at 30 June 2013. The decline in maturity will be reversed with the subsequent 12-year USPP debt issue noted above, which will replace debt maturing within one year.

In the past year we have diversified the funding sources, maintained committed but undrawn credit facilities and reduced the impact of interest rate fluctuations by maintaining a policy-mandated level of fixed rate borrowings. Further details on Auckland Airport's financial risk management objectives and policies are set out in Note 21 of the financial statements.

Auckland Airport has a foreign currency exposure in its investment in North Queensland Airports, from Australian to New Zealand dollars, and any movement in the value of this investment due to foreign currency translation is taken to the Foreign Currency Translation Reserve. As at 30 June 2014, Auckland Airport had A$80 million of bank facilities drawn as a partial hedge of the currency exposure on this investment. At a parent level, the foreign exchange movements on these bank facilities are accounted for in the profit and loss but, on a consolidated group level, the foreign exchange movements on these bank facilities are accounted for in the Foreign Currency Translation Reserve to offset the movements from the revaluation of the investment.

Key credit metrics

	2014	2013	%
Debt/Debt + market value of equity (as at 30 June)	24.7%	22.8%	8.2%
Debt/EBITDAFI (as at 30 June)	4.21	3.45	21.9%
Funds from operations interest cover (as at 30 June)	4.50	4.16	8.2%
Weighted average interest cost (as at 30 June)	5.95%	6.21%	(4.1%)
Average debt maturity profile (as at 30 June, years)	3.24	4.21	(22.9%)
Percentage of fixed borrowings (as at 30 June)	58.60%	66.3%	(11.6%)

Capital structure and credit rating

As at 30 June 2014 Standard & Poor's (S&P) long-term credit rating of Auckland Airport is 'A- Stable' and the short-term credit rating is 'A2'. As expected, S&P decreased its rating and outlook on Auckland Airport from 'A- Positive' to 'A- Stable' following the announcement of our intention to undertake a $454.146 million capital return. The 'A- Stable' by S&P reflects the strong ability of Auckland Airport to meet our financial commitments. S&P's return to 'A-Stable' after the $454.146 million capital return recognises the balance between prudently managing key financial metrics at appropriate levels whilst also managing balance sheet efficiency between debt and equity-sourced funding.

Cash flow

	2014 $m	2013 $m	% change
Net cash inflow from operating activities	211.675	207.816	1.9
Net cash outflow from investing activities	(102.658)	(75.176)	36.6
Net cash outflow from financing activities	(136.801)	(106.329)	28.7
Net increase (decrease) in cash held	**(27.784)**	**26.311**	**(205.6)**

Net cash inflow from operating activities was $211.675 million in the 2014 financial year, an increase of $3.859 million or 1.9% on the previous financial year. The growth in net cash flow from operating activities was slower than profit growth because of the supplementary dividends paid on the $454.146 million capital return. The $15.858 million supplementary dividends paid at the time of the capital return will reduce the size of future tax payments associated with the 2014 income tax year.

Net cash outflow applied to investing activities was $102.658 million in the 2014 financial year, an increase of $27.482 million or 36.6% on the previous financial year, due to increased capital expenditure. The largest increase was on investment in property development contributing $23.337 million of the increase.

Net cash outflow applied to financing activities was $136.801 million in the 2014 financial year, an increase of $30.472 million (28.7%) over the previous year. In 2014 cash inflows from net increases in borrowings was $400.000 million, largely to fund the capital return to shareholders of $454.146 million.

2014 Returns for shareholders

Dividend policy

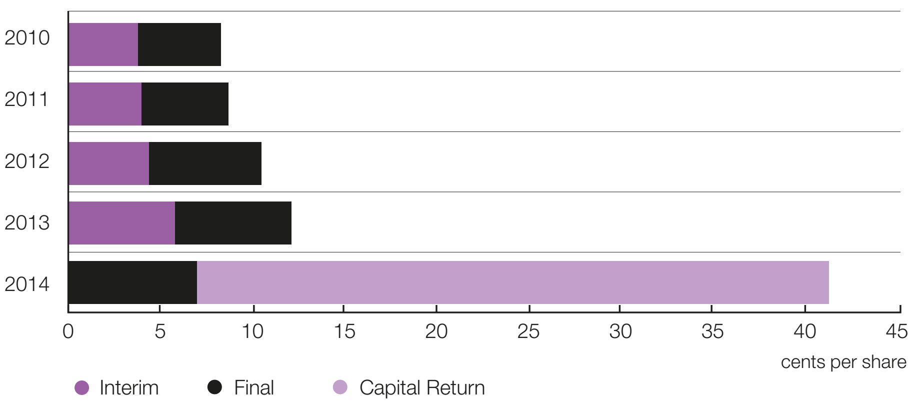
Auckland Airport's dividend policy is to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items), noting that in special circumstances the directors may consider the payment of ordinary dividends above or below this level subject to the Company's cash flow requirements, forecast credit metrics and outlook at the time.

2014 dividend

The final dividend for the year ending 30 June 2014 is 7.00 cents per share compared to 6.25 cents per share in the 2013 financial year.

The 2014 final dividend will be paid on 17 October 2014 to shareholders on the register at the close of business on 3 October 2014. The dividend will carry full imputation credits at the company tax rate of 28%. In addition, the normal supplementary dividend, sourced from corresponding tax credits available to the company, will be paid to non-resident shareholders.

Distribution history



Other distributions to shareholders in the 2014 financial year included the previously mentioned capital return. Due to the significance of the cash outflows attributed to the capital return and the timing in April 2014, no interim dividend was declared in the 2014 financial year.

Share price performance and total shareholder returns

While historic total shareholder returns are not necessarily indicative of future performance, the total shareholder returns since 2009 have been strong. In the current year, Auckland Airport has seen positive share price growth, increasing from $2.97, as at 30 June 2013, to $3.90 as at 30 June 2014, an increase of 31.3%. Total shareholder return, including share price appreciation and final dividends relating to the 2014 financial year, is 33.7%.

The capital return is not included in the total shareholder returns as 10% of Auckland Airport's equity on announcement was matched by a cancellation of 10% of the shares.

	Share price opening $	Share price closing $	Dividend cps	Capital return cps	Cost of cancelled share cps	Total return $	Total shareholder return %
1 July 2009 to 30 June 2010	1.610	1.870	8.200	-	-	0.342	21.2%
1 July 2010 to 30 June 2011	1.870	2.230	8.700	-	-	0.447	23.9%
1 July 2011 to 30 June 2012	2.230	2.440	10.500	-	-	0.315	14.1%
1 July 2012 to 30 June 2013	2.440	2.970	12.000	-	-	0.650	26.6%
1 July 2013 to 30 June 2014	**2.970**	**3.900**	**7.000**	**34.300**	**(34.300)**	**1.000**	**33.7%**

* COST OF THE CANCELLED SHARE IS THE AVERAGE CLOSING MARKET PRICE OF THE TIME OF THE RETURN ANNOUNCEMENT (CLOSE 27 NOVEMBER 2013)

Income statements

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Income					
Airfield income		87,607	81,573	87,607	81,573
Passenger services charge		131,552	120,242	131,552	120,242
Retail income		127,073	124,308	127,073	124,308
Rental income		59,260	55,407	59,260	55,407
Rates recoveries		4,626	4,180	4,626	4,180
Car park income		42,815	40,370	42,815	40,370
Interest income	5	2,002	2,823	14,757	16,536
Other income		20,879	19,555	20,815	26,530
Total income		475,814	448,458	488,505	469,146
Expenses					
Staff	5	42,502	39,953	42,502	39,953
Asset management, maintenance and airport operations		40,310	39,607	40,310	39,607
Rates and insurance		10,081	9,707	10,081	9,707
Marketing and promotions		13,750	14,138	13,750	14,138
Professional services and levies		6,806	7,491	6,806	7,491
Other expenses	5	7,197	6,728	1,562	6,728
Total expenses		120,646	117,624	115,011	117,624
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)		355,168	330,834	373,494	351,522
Share of profit of associates	8	11,632	9,921	-	-
Derivative fair value increase	5	636	1,473	636	1,473
Property, plant and equipment revaluation	11	4,060	-	4,060	-
Investment property fair value increase	12	41,974	23,091	41,974	23,091
Earnings before interest, taxation and depreciation (EBITDA)		413,470	365,319	420,164	376,086
Depreciation	11(a)	63,541	62,053	63,541	62,053
Earnings before interest and taxation (EBIT)		349,929	303,266	356,623	314,033
Interest expense and other finance costs	5	68,171	66,689	68,171	66,689
Profit before taxation		281,758	236,577	288,452	247,344
Taxation expense	6(a)	65,877	58,610	70,523	63,763
Profit after taxation attributable to owners of the parent		215,881	177,967	217,929	183,581

		Cents	Cents
Earnings per share:			
Basic and diluted earnings per share	10	16.68	13.46

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2014

		GROUP		PARENT	
	NOTES	2014 $000	2013 $000	2014 $000	2013 $000
Profit for the period		215,881	177,967	217,929	183,581
Other comprehensive income					
Items that will not be reclassified to the income statement:					
Net property, plant and equipment revaluation movement	11,16(b)(ii)	734,838	-	734,838	-
Tax on the property, plant and equipment revaluation reserve	16(b)(ii)	-	(465)	-	(465)
Items that will not be reclassified to the income statement		734,838	(465)	734,838	(465)
Items that may be reclassified subsequently to the income statement:					
Cash flow hedges:					
Fair value gains/(losses) recognised in the cash flow hedge reserve	16(b)(iv)	(3,073)	3,187	(3,073)	3,187
Realised losses transferred to the income statement	16(b)(iv)	8,708	8,764	8,708	8,764
Tax effect of movements in the cash flow hedge reserve	16(b)(iv)	(1,578)	(3,346)	(1,578)	(3,346)
Total cash flow hedge movement		4,057	8,605	4,057	8,605
Movement in share of reserves of associates	8	8,454	841	-	-
Movement in foreign currency translation reserve	16(b)(vi)	(7,001)	(3,496)	-	-
Items that may be reclassified subsequently to the income statement		5,510	5,950	4,057	8,605
Total other comprehensive income		740,348	5,485	738,895	8,140
Total comprehensive income for the period, net of tax attributable to the owners of the parent		956,229	183,452	956,824	191,721

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2014

Group for the year ended 30 June 2014	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Share of reserves of associates $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000
At 1 July 2013		348,848	(171,604)	2,147,691	913	(18,009)	(10,510)	(1,465)	203,643	2,499,507
Profit for the year		-	-	-	-	-	-	-	215,881	215,881
Other comprehensive income/(loss)		-	-	734,838	-	4,057	8,454	(7,001)	-	740,348
Total comprehensive income/(loss)		-	-	734,838	-	4,057	8,454	(7,001)	215,881	956,229
Reclassification to retained earnings	16(a)	-	-	(1,886)	-	-	-	-	1,886	-
Shares issued	15	6	-	-	-	-	-	-	-	6
Capital return and share cancellation	15, 16(b)(i)	(16,511)	(437,635)	-	-	-	-	-	-	(454,146)
Dividend paid	9	-	-	-	-	-	-	-	(82,661)	(82,661)
At 30 June 2014		332,343	(609,239)	2,880,643	913	(13,952)	(2,056)	(8,466)	338,749	2,918,935

Group for the year ended 30 June 2013	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Share of reserves of associates $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000
At 1 July 2012		348,846	(171,604)	2,148,589	913	(26,614)	(11,351)	2,031	181,957	2,472,767
Profit for the year		-	-	-	-	-	-	-	177,967	177,967
Other comprehensive income/(loss)		-	-	(465)	-	8,605	841	(3,496)	-	5,485
Total comprehensive income/(loss)		-	-	(465)	-	8,605	841	(3,496)	177,967	183,452
Reclassification to retained earnings	16(a)	-	-	(433)	-	-	-	-	433	-
Shares issued	15	2	-	-	-	-	-	-	-	2
Dividend paid	9	-	-	-	-	-	-	-	(156,714)	(156,714)
At 30 June 2013		348,848	(171,604)	2,147,691	913	(18,009)	(10,510)	(1,465)	203,643	2,499,507

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Parent for the year ended 30 June 2014	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2013		349,501	(171,604)	2,147,691	913	(18,009)	219,810	2,528,302
Profit for the year		-	-	-	-	-	217,929	217,929
Other comprehensive income/(loss)		-	-	734,838	-	4,057	-	738,895
Total comprehensive income/(loss)		-	-	734,838	-	4,057	217,929	956,824
Reclassification to retained earnings	16(a)	-	-	(1,886)	-	-	1,886	-
Shares issued	15	56	-	-	-	-	-	56
Capital return and share cancellation	15, 16(b)(i)	(16,536)	(437,635)	-	-	-	-	(454,171)
Dividend paid	9	-	-	-	-	-	(82,673)	(82,673)
At 30 June 2014		333,021	(609,239)	2,880,643	913	(13,952)	356,952	2,948,338

Parent for the year ended 30 June 2013	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2012		349,055	(171,604)	2,148,589	913	(26,614)	192,531	2,492,870
Profit for the year		-	-	-	-	-	183,581	183,581
Other comprehensive income/(loss)		-	-	(465)	-	8,605	-	8,140
Total comprehensive income/(loss)		-	-	(465)	-	8,605	183,581	191,721
Reclassification to retained earnings	16(a)	-	-	(433)	-	-	433	-
Shares issued	15	446	-	-	-	-	-	446
Dividend paid	9	-	-	-	-	-	(156,735)	(156,735)
At 30 June 2013		349,501	(171,604)	2,147,691	913	(18,009)	219,810	2,528,302

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of financial position

AS AT 30 JUNE 2014

	NOTES	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Non-current assets					
Property, plant and equipment	11	3,761,549	3,020,247	3,761,549	3,020,247
Investment properties	12	733,393	635,902	733,393	635,902
Investment in associates	8	158,409	165,658	-	-
Investment in subsidiaries	7	-	-	40,000	40,000
Derivative financial instruments	20, 21(c)	6,946	17,054	6,946	17,054
Intercompany loans	7	-	-	152,062	162,751
		4,660,297	3,838,861	4,693,950	3,875,954
Current assets					
Cash and cash equivalents	13	41,369	69,153	41,369	69,153
Inventories		22	40	22	40
Prepayments		5,376	5,223	5,376	5,223
Accounts receivable	14	23,623	21,689	23,623	21,688
Dividend receivable	8(b)	2,695	3,568	-	-
Derivative financial instruments	20, 21(c)	537	18	537	18
		73,622	99,691	70,927	96,122
Total assets		4,733,919	3,938,552	4,764,877	3,972,076

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

	NOTES	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Shareholders' equity					
Issued and paid-up capital	15	332,343	348,848	333,021	349,501
Cancelled share reserve	16(b)(i)	(609,239)	(171,604)	(609,239)	(171,604)
Property, plant and equipment revaluation reserve	16(b)(ii)	2,880,643	2,147,691	2,880,643	2,147,691
Share-based payments reserve	16(b)(iii)	913	913	913	913
Cash flow hedge reserve	16(b)(iv)	(13,952)	(18,009)	(13,952)	(18,009)
Share of reserves of associates	16(b)(v)	(2,056)	(10,510)	-	-
Foreign currency translation reserve	16(b)(vi)	(8,466)	(1,465)	-	-
Retained earnings	16(a)	338,749	203,643	356,952	219,810
		2,918,935	2,499,507	2,948,338	2,528,302
Non-current liabilities					
Term borrowings	18	1,126,824	1,010,236	1,126,824	1,010,236
Derivative financial instruments	20, 21(c)	33,083	21,733	33,083	21,733
Deferred tax liability	6(c)	200,195	200,159	198,954	199,162
Other term liabilities		728	745	728	745
		1,360,830	1,232,873	1,359,589	1,231,876
Current liabilities					
Accounts payable and accruals	17	69,372	62,149	69,150	62,063
Taxation payable		2,751	10,372	5,769	16,184
Derivative financial instruments	20, 21(c)	7	-	7	-
Short-term borrowings	18	380,120	131,709	380,120	131,709
Provisions	24	1,904	1,942	1,904	1,942
		454,154	206,172	456,950	211,898
Total equity and liabilities		4,733,919	3,938,552	4,764,877	3,972,076

These financial statements were approved and adopted by the Board on 26 August 2014.

Signed on behalf of the Board by:

Sir Henry van der Heyden
Director, chair of the Board

James Miller
Director, chair of the audit and financial risk committee

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Cash flow statements

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers		471,560	441,868	471,495	448,705
Interest received		2,131	2,823	2,131	2,823
		473,691	444,691	473,626	451,528
Cash was applied to:					
Payments to suppliers and employees		(116,136)	(111,852)	(116,071)	(118,775)
Income tax paid		(79,051)	(57,296)	(77,471)	(57,297)
Other taxes paid		(277)	(264)	(277)	(264)
Interest paid		(66,552)	(67,463)	(66,552)	(67,463)
		(262,016)	(236,875)	(260,371)	(243,799)
Net cash flow from operating activities	19	211,675	207,816	213,255	207,729
Cash flow from investing activities					
Cash was provided from:					
Intercompany loan repayment		-	-	15,190	13,976
Dividends from associate		16,783	14,312	-	-
		16,783	14,312	15,190	13,976
Cash was applied to:					
Purchase of property, plant and equipment		(60,651)	(55,006)	(60,651)	(55,006)
Interest paid – capitalised		(3,219)	(2,248)	(3,219)	(2,248)
Expenditure on investment properties		(55,571)	(32,234)	(55,571)	(32,234)
		(119,441)	(89,488)	(119,441)	(89,488)
Net cash flow applied to investing activities		(102,658)	(75,176)	(104,251)	(75,512)
Cash flow from financing activities					
Cash was provided from:					
(Decrease)/increase in share capital	15	6	2	56	446
Increase in borrowings		450,000	175,383	450,000	175,383
		450,006	175,385	450,056	175,829
Cash was applied to:					
Capital return	15	(454,146)	-	(454,171)	-
Decrease in borrowings		(50,000)	(125,000)	(50,000)	(125,000)
Dividends paid	9	(82,661)	(156,714)	(82,673)	(156,735)
		(586,807)	(281,714)	(586,844)	(281,735)
Net cash flow applied to financing activities		(136,801)	(106,329)	(136,788)	(105,906)
Net increase/(decrease) in cash held		(27,784)	26,311	(27,784)	26,311
Opening cash brought forward		69,153	42,842	69,153	42,842
Ending cash carried forward	13	41,369	69,153	41,369	69,153

THE NOTES AND ACCOUNTING POLICIES ON PAGES 57 TO 113 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2014

1. Corporate information

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

The financial statements presented are for Auckland Airport and its subsidiaries and associates (the group). The subsidiaries consist of Auckland Airport Limited, Auckland International Airport Limited Share Purchase Plan, Auckland Airport Holdings Limited, and Auckland Airport Holdings (No.2) Limited.

Auckland Airport provides airport facilities and supporting infrastructure in Auckland, New Zealand. The group earns revenue from aeronautical activities, on airport retail concessions and car parking facilities, standalone investment properties and other charges and rents associated with operating an airport. The group also holds investments in three other airports being Cairns Airport and Mackay Airport in Queensland (North Queensland Airports) Australia, as well as Queenstown Airport in New Zealand. The group is also a partner in the Tainui Auckland Airport Hotel Limited Partnership which operates a hotel at Auckland Airport.

These financial statements were authorised for issue in accordance with a resolution of the directors on 26 August 2014.

2. Summary of significant accounting policies

a / Basis of preparation

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

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

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

b / Statement of compliance

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

c / New accounting standards and interpretations

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

- NZ IFRS 13 *Fair Value Measurement* is effective prospectively for annual reporting periods beginning on or after 1 January 2013. NZ IFRS 13 defines fair value and explains how it is to be measured and disclosed. The group has provided fair value disclosures in notes 11, 12 and 20 of these financial statements.
- NZ IFRS 10 *Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities*, revised NZ IAS 27 *Separate Financial Statements* and NZ IAS 28 *Investments in Associates and Joint Ventures*. These standards are effective for annual reporting periods beginning on or after 1 January 2013.

NZ IFRS 10 changes the definition of control and provides additional guidance to assist in the determination of control. NZ IFRS 11 changes the definition of joint control, the types of joint arrangements and the accounting treatment. NZ IFRS 12 requires enhanced disclosures about an entity's investments in annual financial statements.

Application of these standards by the group has not materially affected any of the amounts recognised in these financial statements or the disclosures.

- XRB A1 *Accounting Standards Framework (For-profit Entities Update)*. XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The group is a Tier 1 entity. There was no impact on the current or prior year financial statements.
- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendment requires disclosure of information to enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Consistent with general market practice, new or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2014. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the group's financial statements unless otherwise stated below. These will be applied when they become mandatory. The significant items are:

- NZ IFRIC 21 *Levies* is effective for reporting annual reporting periods beginning on or after 1 January 2014. NZ IFRIC 21 addresses the accounting for a liability to pay a levy that is not income tax. The interpretation requires the recognition of a liability to pay a levy when the obligating event occurs. The obligating event is the event identified by the legislation that triggers the obligation to pay the levy. The impact of this interpretation is likely to impact the timing of expense recognition for council rates. While the timing is unlikely to have a material impact in annual financial statements it may be significant for the interim financial statements, as council rates will no longer be spread throughout the financial year. The group intends to apply this interpretation from 1 July 2014.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies CONTINUED

- NZ IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2017. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess NZ IFRS 9's full impact. The group intends to apply the standard from 1 July 2017.

- NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after 1 January 2017. NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 *Revenue* and NZ IAS 11 *Construction contracts* and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The group is yet to assess NZ IFRS 15's full impact. The group will apply this standard from 1 July 2017.

d / Basis of consolidation

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

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

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

e / Investments in associates

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

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

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

When the group's share of losses in an associate equals the carrying amount of an associate, including any unsecured long-term receivables and loans, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The post-acquisition movements are included after adjustments to align the accounting policies with those of the group.

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

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

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

f / Segment reporting

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

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

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

g / Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Translation of foreign operations

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

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

h / Cash

Cash in the balance sheet comprises cash on hand, on-call deposits held with banks and short-term highly liquid investments.

For the purposes of the cash flow statement, cash consists of cash as defined above, net of outstanding bank overdrafts.

i / Cash flow statement

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

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

Investing activities are the acquisition and disposal of long-term assets and other non-current investments not included in cash equivalents that have been made to generate future cash flows.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the group. The increase and decrease in borrowings are reported net for bank facilities and commercial paper where the turnover is frequent and the maturities are short.

j / Fair value

The group uses various methods in estimating the fair value of assets and liabilities.

The different levels comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

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

k / Accounts receivable

Accounts receivable are recognised and carried at the original invoice amount including Goods and Services Tax (GST) less an allowance for impairment for any uncollectible amounts.

An estimate of impairment for uncollectible amounts is made where there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

l / Derivative financial instruments and hedging

The group uses derivative financial instruments such as interest rate swaps, interest basis swaps, forward foreign exchange contracts and cross-currency interest rate swaps to hedge its risks associated with interest rates and foreign currency. Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement for the year.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of a net investment in a foreign operation.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies CONTINUED

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

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

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are mostly applicable to fixed-coupon debt where the fair value of the debt changes through changes in market interest rates. For fair value hedges, the carrying amount of the hedged 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.

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

Cash flow hedges

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

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instruments expire or are sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Hedges of a net investment

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

m / Investments and other financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

n / Property, plant and equipment

Properties held for use in the supply of goods and services, for administrative purposes or for rental to others for airport operation purposes are classified as property, plant and equipment.

Property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment includes all costs directly attributable to bringing the item to working condition for its intended use.

Expenditure on an asset is recognised as an asset if it is probable that future economic benefits will flow to the entity, and if the cost of the asset can be measured reliably. This principle applies for both initial and subsequent expenditure.

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

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

Revaluations

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

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

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

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Depreciation

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

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

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

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains or losses arising on derecognition of an asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, are included in the income statement in the year the asset is derecognised.

o / Investment properties

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

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

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

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

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

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

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

p / Leases

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

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

q / Impairment of non-financial assets

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

r / Accounts payable and accruals

Accounts payable and accruals are not interest bearing and are initially stated at their fair value and subsequently carried at amortised cost. Due to their short-term nature they are not discounted to net present value. The amounts are unsecured and are usually paid within 30 days of recognition.

s / Loans and borrowings

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

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies CONTINUED

t / Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are expensed as incurred.

u / Provisions

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

v / Employee benefits

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

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

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

w / Share based payments

The group provides benefits to executives and employees of the group in the form of share-based payment transactions, whereby executives and employees as part of their remuneration 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').

Equity-settled transactions

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled and ends on the date on which the relevant employees become fully entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the amortised portion of the fair value of the equity instrument adjusted for the estimate of the likelihood of the award vesting.

Cash-settled transactions

The cost of cash-settled transactions with employees is spread over the vesting period to recognise services received. The fair value of cash-settled transactions is determined at each reporting date and the change in fair value is recognised in the income statement. The fair value takes into account the terms and conditions on which the award was granted, and the extent to which employees have rendered services to date.

x / Revenue recognition

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

Rendering of services

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

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

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

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

Interest income

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

Dividend income

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

y / Income tax and other taxes

Income tax

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

z / Contributed equity

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

When the group reacquires its own shares, those treasury shares are deducted from equity and no gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of those shares. Any consideration or transactions costs paid or received are recognised directly in equity.

aa / Earnings per share

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

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

ab / Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Significant accounting judgements, estimates and assumptions

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

a / Fair value of investment property

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

b / Carrying value of property, plant and equipment

The group records land, buildings and services, runway, taxiways and aprons and infrastructural assets at fair value. Land, buildings and services, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the last revaluation are carried at cost, which approximates fair value.

Revaluations are carried out, by independent valuers, with sufficient regularity to ensure that the carrying amount does not materially differ from the fair value at balance date. Judgement is required to determine whether the fair value of land, buildings and services, runway, taxiways and aprons and infrastructural assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment and the valuation methodologies and assumptions used to record the fair value of property, plant and equipment at 30 June 2014 (for land) and 30 June 2011 (for other property, plant and equipment assets carried at fair value) are disclosed in note 11. The carrying amounts of property, plant and equipment (other than land) last valued as at 30 June 2011 are judged as not being materially different to fair value.

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

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

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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

4. Segment information

a / Identification of reportable segments

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

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive at least monthly. The chief executive assesses performance of the operating segments based on segment EBITDA. Interest income and expenditure, taxation and depreciation and share of profits of associates 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.

Retail

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

Property

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

c / Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2014 financial year accounted for 24.7 percent of external revenue (2013: 24.2 percent). The revenue from this customer is included in all three operating segments.

d / Geographical areas

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

GROUP	Aeronautical $000	Retail $000	Property $000	Total $000
Year ended 30 June 2014				
External income				
Airfield income	87,607	-	-	87,607
Passenger services charge	131,552	-	-	131,552
Retail income	-	127,073	-	127,073
Rental income	13,553	496	45,211	59,260
Rates recoveries	562	993	3,071	4,626
Car park income	-	42,745	70	42,815
Interest income	-	-	7	7
Other income	7,095	8,569	1,688	17,352
Total segment income	240,369	179,876	50,047	470,292
Expenses				
Staff	21,498	3,399	2,138	27,035
Asset management, maintenance and airport operations	28,694	7,080	2,674	38,448
Rates and insurance	3,327	1,219	4,823	9,369
Marketing and promotions	9,430	3,345	600	13,375
Professional services and levies	2,456	524	647	3,627
Other expenses	1,489	911	1,264	3,664
Total segment expenses	66,894	16,478	12,146	95,518
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	173,475	163,398	37,901	374,774

Income reported above represents income generated from external customers. There was no inter-segment income in the year (2013: $nil).

GROUP	Aeronautical $000	Retail $000	Property $000	Total $000
Year ended 30 June 2013				
External income				
Airfield income	81,573	-	-	81,573
Passenger services charge	120,242	-	-	120,242
Retail income	-	124,308	-	124,308
Rental income	13,885	423	41,099	55,407
Rates recoveries	275	975	2,930	4,180
Car park income	-	40,370	-	40,370
Interest income	-	-	9	9
Other income	6,546	7,673	1,823	16,042
Total segment income	222,521	173,749	45,861	442,131
Expenses				
Staff	19,967	2,644	2,169	24,780
Asset management, maintenance and airport operations	29,064	6,161	2,558	37,783
Rates and insurance	3,196	1,208	4,576	8,980
Marketing and promotions	10,221	2,915	522	13,658
Professional services and levies	2,157	404	247	2,808
Other expenses	1,567	852	1,141	3,560
Total segment expenses	66,172	14,184	11,213	91,569
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	156,349	159,565	34,648	350,562

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

4. Segment information CONTINUED

e / Reconciliation of segment income to income statement:

	GROUP	
	2014 $000	2013 $000
Segment Income	470,292	442,131
Interest income	1,995	2,813
Other revenue	3,527	3,514
Total Income	475,814	448,458

f / Reconciliation of segment EBITDA to income statement:

	GROUP	
	2014 $000	2013 $000
Segment EBITDA	374,774	350,562
Unallocated external operating income	5,522	6,327
Unallocated external operating expenses	(25,128)	(26,055)
Share of profit of associates	11,632	9,921
Depreciation	(63,541)	(62,053)
Derivative fair value (decrease)/increase	636	1,473
Property, plant and equipment revaluation	4,060	-
Investment property fair value increase	41,974	23,091
Interest expense and other finance costs	(68,171)	(66,689)
Profit before taxation	281,758	236,577

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

5. Profit for the year

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Staff expenses comprise:				
Salaries and wages	29,443	27,845	29,443	27,845
Employee benefits	2,870	2,896	2,870	2,896
Share-based payment plans	5,975	4,956	5,975	4,956
Defined contribution superannuation	1,041	914	1,041	914
Other staff costs	3,173	3,342	3,173	3,342
	42,502	39,953	42,502	39,953
Other income includes:				
Gain on foreign currency movements	-	-	5,389	6,971
Other expenses includes:				
Audit fees for statutory audit and half year review	198	198	198	198
Auditors regulatory audit, AGM fees and prospectus assurance fees	83	80	83	80
Directors' fees	1,181	1,122	1,181	1,122
Bad and doubtful debts written off	15	8	15	8
Doubtful debts - change in provision	150	-	150	-
Loss on foreign currency movements	246	5	-	-
Interest expense and other finance costs comprise:				
Interest on bonds and related hedging instruments	40,957	39,076	40,957	39,076
Interest on bank facilities and related hedging instruments	17,368	16,294	17,368	16,294
Interest on USPP notes and related hedging instruments	9,299	9,139	9,299	9,139
Interest on commercial paper and related hedging instruments	3,766	4,428	3,766	4,428
	71,390	68,937	71,390	68,937
Less capitalised borrowing costs (refer note 11(a) and note 12)	(3,219)	(2,248)	(3,219)	(2,248)
	68,171	66,689	68,171	66,689
Interest rate for capitalised borrowings costs	5.95%	6.21%	5.95%	6.21%

The share-based payment expense relates to long term incentive phantom option plans for leadership team remuneration. The increase in share-based payment expense in 2014 reflects share price appreciation from $2.97 at 30 June 2013 to $3.90 at 30 June 2014 (2013: $2.44 to $2.97). Refer to note 26 for further details on the phantom option plans.

The gross interest costs before capitalised interest was $71.390 million for the year ended 30 June 2014 (2013: $68.937 million). The gross interest costs of bonds, bank facilities, USPP notes and commercial paper excluding the impact of interest rate hedges was $66.403 million for the year ended 30 June 2014 (2013: $63.902 million).

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Interest income includes:				
External interest income	2,002	2,823	2,002	2,823
Intercompany interest (note 7)	-	-	12,755	13,713
	2,002	2,823	14,757	16,536
Derivative fair value increase/(decrease) includes:				
Interest basis swaps transacted as hedges but not qualifying for hedge accounting	951	1,473	951	1,473
Ineffective portion of hedges qualifying for hedge accounting	(315)	-	(315)	-
	636	1,473	636	1,473

The ineffective portion of hedges qualifying for hedge accounting relate to credit valuation adjustments from a theoretical risk free derivative. They relate to the counterparty and Auckland Airport's credit risk to derive the fair value of the particular derivatives entered into by Auckland Airport. The credit value adjustment is a result of the adoption of NZ IFRS 13 Fair Value Measurement.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

6. Taxation

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
a / Income tax expense				
The major components of income tax are:				
Current income tax				
Current income tax charge	68,459	63,326	73,349	68,979
Income tax over provided in prior year	(1,040)	(1,818)	(1,040)	(1,792)
Deferred income tax				
Movement in deferred tax	(1,542)	(2,898)	(1,786)	(3,424)
Total taxation expense	65,877	58,610	70,523	63,763

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
b / Reconciliation between prima facie taxation and tax expense				
Profit before taxation	281,758	236,577	288,452	247,344
Prima facie taxation at 28%	78,892	66,242	80,767	69,256
Adjustments:				
Share of associate's tax paid earnings	(2,721)	(2,328)	-	-
Revaluation with no tax impact	(9,659)	(6,030)	(9,659)	(6,030)
Income tax over provided in prior year	(1,040)	(1,818)	(1,040)	(1,792)
Other	405	2,544	455	2,329
Total taxation expense	65,877	58,610	70,523	63,763

c / Deferred tax assets and liabilities

GROUP	Balance 1 July 2013 $000	Movement in income $000	Movement in other comprehensive income $000	Balance 30 June 2014 $000
Deferred tax liabilities				
Property, plant and equipment	173,140	(6,287)	-	166,853
Investment properties	36,695	5,078	-	41,773
Other	1,073	194	-	1,267
Deferred tax liabilities	210,908	(1,015)	-	209,893
Deferred tax assets				
Cash flow hedge	7,003	-	(1,578)	5,425
Provisions and accruals	3,746	527	-	4,273
Deferred tax assets	10,749	527	(1,578)	9,698
Net deferred tax liability	200,159	(1,542)	1,578	200,195

GROUP	Balance 1 July 2012 $000	Movement in income $000	Movement in other comprehensive income $000	Balance 30 June 2013 $000
Deferred tax liabilities				
Property, plant and equipment	177,163	(4,488)	465	173,140
Investment properties	34,364	2,331	-	36,695
Other	569	504	-	1,073
Deferred tax liabilities	212,096	(1,653)	465	210,908
Deferred tax assets				
Cash flow hedge	10,349	-	(3,346)	7,003
Provisions and accruals	2,501	1,245	-	3,746
Deferred tax assets	12,850	1,245	(3,346)	10,749
Net deferred tax liability	199,246	(2,898)	3,811	200,159

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

6. Taxation CONTINUED

PARENT	Balance 1 July 2013 $000	Movement in income $000	Movement in other comprehensive income $000	Balance 30 June 2014 $000
Deferred tax liabilities				
Property, plant and equipment	173,140	(6,287)	-	166,853
Investment properties	36,695	5,078	-	41,773
Other	77	(45)	-	32
Deferred tax liabilities	209,912	(1,254)	-	208,658
Deferred tax assets				
Cash flow hedge	7,003	-	(1,578)	5,425
Provisions and accruals	3,747	532	-	4,279
Deferred tax assets	10,750	532	(1,578)	9,704
Net deferred tax liability	199,162	(1,786)	1,578	198,954

PARENT	Balance 1 July 2012 $000	Movement in income $000	Movement in other comprehensive income $000	Balance 30 June 2013 $000
Deferred tax liabilities				
Property, plant and equipment	177,163	(4,488)	465	173,140
Investment properties	34,364	2,331	-	36,695
Other	99	(22)	-	77
Deferred tax liabilities	211,626	(2,179)	465	209,912
Deferred tax assets				
Cash flow hedge	10,349	-	(3,346)	7,003
Provisions and accruals	2,502	1,245	-	3,747
Deferred tax assets	12,851	1,245	(3,346)	10,750
Net deferred tax liability	198,775	(3,424)	3,811	199,162

At 30 June 2014, there are no unrecognised temporary differences associated with the group's investments in associates other than tax losses accumulated in Australia relating to the group's investment in North Queensland Airports of AUD 33.235 million (30 June 2013: AUD 13.700 million). Deferred tax assets have not been recognised in respect of these Australian tax losses. This is because future Australian interest deductions are expected to offset any taxable distributed profits from North Queensland Airports in the Australian tax jurisdiction in the foreseeable future.

d / Imputation credits

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Imputation credits available for use in subsequent reporting periods at 30 June	(37,351)	30,751	(34,402)	36,517

7. Subsidiary companies

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

	PRINCIPAL PLACE OF BUSINESS	% EQUITY INTEREST 2014	% EQUITY INTEREST 2013
Auckland Airport Limited	New Zealand	100.00	100.00
Auckland International Airport Limited Share Purchase Plan	New Zealand	-	-
Auckland Airport Holdings Limited	New Zealand	100.00	100.00
Auckland Airport Holdings (No.2) Limited	New Zealand	100.00	100.00

Auckland Airport Limited

Auckland Airport Limited was established on 23 July 2007 and holds the investment in Tainui Auckland Airport Hotel Limited Partnership.

Auckland Airport Holdings Limited

Auckland Airport Holdings Limited was established on 22 December 2009 and holds the investment in North Queensland Airports. Auckland International Airport Limited holds $40.000 million (2013: $40.000 million) of share capital in Auckland Airport Holdings Limited.

Auckland Airport Holdings (No.2) Limited

Auckland Airport Holdings (No. 2) Limited was established on 7 July 2010 and holds the investment in Queenstown Airport Corporation Limited.

Auckland International Airport Limited Share Purchase Plan

Auckland International Airport Limited Share Purchase Plan (purchase plan) was established by the company on 16 November 1999 to assist employees (but not directors) to become equity holders in the company. A Trust Deed dated 19 November 1999 governs the operation of the purchase plan. The purchase plan is consolidated as part of the group because the company has the power to govern the purchase plan due to the trustees of the purchase plan being employees of the company.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

7. Subsidiary companies CONTINUED

There are intercompany loans with the subsidiary companies. The movements in intercompany loans are summarised in the table below:

	Loan payable to Auckland International Airport Limited	
	2014 $000	2013 $000
Auckland Airport Limited		
Opening balance 1 July	5,108	5,669
Return of partner equity contribution	(629)	(480)
Tax payable offset by loss utilisation	-	(81)
Tax paid	136	-
Closing balance 30 June	4,615	5,108
Auckland International Airport Limited Share Purchase Plan		
Opening balance 1 July	331	(5)
Loan for the issue of new shares	56	446
Employee loan repayments	(141)	(87)
Capital return and dividends received on unallocated employee shares held by the plan	(81)	(23)
Closing balance 30 June	165	331
Auckland Airport Holdings Limited		
Opening balance 1 July	131,201	133,980
Loan repayment sourced from dividends received (North Queensland Airports)	(15,044)	(12,935)
Tax payable offset by loss utilisation	(3,830)	(3,556)
Interest charged	12,755	13,712
Foreign exchange movement on revaluation of AUD loan	(3,001)	-
Closing balance 30 June	122,081	131,201
Auckland Airport Holdings (No.2) Limited		
Opening balance 1 July	26,111	27,007
Loan repayment sourced from dividends received (Queenstown Airport)	(910)	(896)
Closing balance 30 June	25,201	26,111
Total intercompany loans at 30 June	152,062	162,751

All loans are interest free and repayable on demand except for the intercompany loan with Auckland Airport Holdings Limited. This loan, with an interest rate of 10.5% was refinanced on 12 December 2013 and the balance of NZD 129.943 million was replaced with a new loan of AUD 113.764 million with interest charged at a rate of 9.855%. The new loan is repayable on 11 December 2023.

8. Investment in associates

Movement in the group's carrying amount of investment in associates:

	GROUP 2014 $000	GROUP 2013 $000
Investment in associates at beginning of year	165,658	179,957
Share of profit after tax of associates	11,632	9,921
Share of reserves of associates	8,454	841
Share of dividends received or repayment of partner contribution	(15,910)	(14,556)
Foreign currency translation	(11,425)	(10,505)
Investment in associates at end of the year	158,409	165,658

The movements by investment in associate is summarised below:

	Share of profit after tax $000	Share of reserves $000	Share of dividends received or repayment of partner contribution $000	Foreign currency translation $000
Year ended 30 June 2014				
Tainui Auckland Airport Hotel Limited Partnership	1,914	-	(629)	-
Stapled Securities of North Queensland Airports Limited	8,060	419	(14,371)	(11,425)
Queenstown Airport Corporation Limited	1,658	8,035	(910)	-
Total	11,632	8,454	(15,910)	(11,425)
Year ended 30 June 2013				
Tainui Auckland Airport Hotel Limited Partnership	1,606	-	(480)	-
Stapled Securities of North Queensland Airports Limited	6,996	675	(13,180)	(10,505)
Queenstown Airport Corporation Limited	1,319	166	(896)	-
Total	9,921	841	(14,556)	(10,505)

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

	GROUP 2014 $000	GROUP 2013 $000
Tainui Auckland Airport Hotel Limited Partnership	10,200	8,915
Stapled Securities of North Queensland Airports Limited	109,692	127,009
Queenstown Airport Corporation Limited	38,517	29,734
Total	158,409	165,658

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

8. Investment in associates CONTINUED

a / Investment in Associates – Tainui Auckland Airport Hotel Limited Partnership

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

Tainui Auckland Airport Hotel Limited Partnership has a balance date of 31 March 2014. Financial information for Tainui Auckland Airport Hotel Limited Partnership has been extracted from audited accounts for the period to 31 March 2014 and management accounts for the balance of the year to 30 June 2014.

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

	GROUP	
	2014 $000	2013 $000
Investment in associate at beginning of the year	8,915	7,789
Share of repayment of partner contribution	(629)	(480)
Share of surplus after tax of associate	1,914	1,606
Investment in associate at end of the year	10,200	8,915

The following tables illustrate the financial information of the Auckland Airport Hotel Limited Partnership for the 2014 and 2013 financial years. This is before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies to the accounting policies of the group.

Extract from 100 percent of Tainui Auckland Airport Hotel Limited Partnership's statement of comprehensive income:

	2014 $000	2013 $000
Revenue	21,693	19,899
Expenses	13,979	13,068
Earnings before interest, taxation, depreciation and fair value adjustments (EBITDAF)	7,714	6,831
Derivative fair value increase	737	709
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	8,451	7,540
Depreciation and amortisation expense	1,877	2,157
Earnings before interest and taxation (EBIT)	6,574	5,383
Interest expense	1,632	1,760
Profit/(loss) before tax	4,942	3,623
Income tax (benefit) / expense	-	-
Profit after taxation	4,942	3,623
Other comprehensive income	-	-
Total comprehensive income for the period	4,942	3,623

Extract from 100 percent of Tainui Auckland Airport Hotel Limited Partnership's statement of financial position:

	2014 $000	2013 $000
Current assets	2,987	4,121
Non-current assets	53,883	55,075
Total assets	56,870	59,196
Current liabilities	3,070	3,663
Non-current liabilities	22,855	26,385
Shareholders' equity	30,945	29,148
Total equity and liabilities	56,870	59,196

	2014 $000	2013 $000
Shareholders' equity	30,945	29,148
Group share - 20.00%	6,189	5,830
Investment property revaluation	3,953	3,027
Subsequent adjustment made by associate	58	58
Carrying value of investment	10,200	8,915

The directors of Tainui Auckland Airport Hotel Limited Partnership declared a repayment of partner contribution of $3.145 million in the year ended 30 June 2014 (year ended 30 June 2013: $2.400 million). The group's share of the partner contribution is $0.629 million (2013: $0.480 million) and the amount receivable at year end was nil (2013: nil).

b / Investment in Associates - Stapled Securities of North Queensland Airports

Auckland Airport group owns a 24.55 percent stake in North Queensland Airports, the operator of Cairns and Mackay airports in Queensland. The group purchased the stake in North Queensland Airports on 13 January 2010 for AUD132.8 million (NZD166.7 million).

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

	GROUP	
	2014 $000	2013 $000
Investment in associate at beginning of the year	127,009	143,023
Share of profit after tax of associate	8,060	6,996
Share of reserves of associate	419	675
Dividends received or receivable	(14,371)	(13,180)
Foreign currency translation	(11,425)	(10,505)
Investment in associate at end of the year	109,692	127,009

The foreign currency translation as at 30 June 2014 of $11.425 million (2013: $10.505 million) reflects a movement in the Australian dollar from $0.8462 at 30 June 2013 to $0.9291 at 30 June 2014 (2012: $0.7835 at 30 June 2012 to $0.8462 at 30 June 2013).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

8. Investment in associates CONTINUED

The following tables illustrate the unaudited financial information of North Queensland Airports Limited for the 2014 and 2013 financial years:

Extract from 100 percent of North Queensland Airports' statement of comprehensive income:

	2014 AUD 000	2013 AUD 000
Revenue	123,969	119,202
Expenses	44,670	44,134
Earnings before interest, taxation, depreciation and fair value adjustments (EBITDAFI)	79,299	75,068
Investment property fair value increase	8,393	4,455
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	87,692	79,523
Depreciation and amortisation expense	22,517	22,967
Earnings before interest and taxation (EBIT)	65,175	56,556
Interest expense	37,023	33,966
Profit/(loss) before tax	28,152	22,590
Income tax (benefit) / expense	(1,405)	58
Profit after taxation	29,557	22,532
Other comprehensive income	1,509	2,034
Total comprehensive income for the period	31,066	24,566

Extract from 100 percent of North Queensland Airports' statement of financial position:

	2014 AUD 000	2013 AUD 000
Current assets	28,543	35,218
Non-current assets (excluding goodwill)	652,838	651,135
Goodwill	231,066	231,066
Total assets	912,447	917,419
Current liabilities	45,205	70,947
Non-current liabilities	529,124	485,697
Shareholders' equity	338,118	360,775
Total equity and liabilities	912,447	917,419

	2014 $000	2013 $000
Shareholders' equity	338,118	360,775
AIA share - 24.55%	83,008	88,570
Goodwill	18,907	18,905
Carrying value of investment (AUD 000)	101,915	107,475
Foreign exchange movements (NZD 000)	7,777	19,534
Carrying value of investment (NZD 000)	109,692	127,009

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

The directors of North Queensland Airports declared dividends of AUD53.800 million in the year ended 30 June 2014 (year ended 30 June 2013: AUD44.000 million). The group's share of the dividend is AUD13.206 million (NZD14.371 million) (2013: AUD10.801 million, NZD13.180 million) and the amount receivable at year end was AUD2.504 million (NZD2.695 million), (2013: AUD3.019 million, NZD3.568 million).

c / Investment in Associates – Queenstown Airport Corporation Limited

On 8 July 2010 Auckland Airport invested $27.7 million in 4.0 million new shares (24.99 percent of the increased shares on issue) in Queenstown Airport Corporation Limited ("Queenstown Airport") and formed a strategic alliance. The strategic alliance commits both airports to work together to drive more tourist traffic into New Zealand and through the two airports. The airport companies will also pursue operational synergies and benefits in other areas such as aeronautical operations, retailing activities and property development. The carrying value of Queenstown Airport in the Auckland Airport financial statements is outlined below:

	GROUP	
	2014 $000	2013 $000
Investment in associate at beginning of the year	29,734	29,145
Share of profit after tax of associate	1,658	1,319
Share of reserves of associate	8,035	166
Dividend received	(910)	(896)
Investment in associate at end of the year	38,517	29,734

The following tables illustrate the unaudited financial information of Queenstown Airport for the 2014 financial year and audited financial information for the 2013 financial year:

Extract from 100 percent of Queenstown Airport's statement of comprehensive income:

	2014 $000	2013 $000
Revenue	21,905	19,567
Expenses	6,668	6,644
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	15,237	12,923
Depreciation and amortisation expense	3,900	4,186
Earnings before interest and taxation (EBIT)	11,337	8,737
Interest expense	1,352	1,350
Profit/(loss) before tax	9,985	7,387
Income tax	3,351	2,107
Profit after taxation	6,634	5,280
Other comprehensive income	500	565
Total comprehensive income for the period	7,134	5,845

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

8. Investment in associates CONTINUED

Extract from 100 percent of Queenstown Airports' statement of financial position:

	2014 $000	2013 $000
Current assets	1,982	1,852
Non-current assets	185,353	151,772
Total assets	187,335	153,624
Current liabilities	4,226	2,875
Non-current liabilities	25,397	28,185
Shareholders' equity	157,712	122,564
Total equity and liabilities	187,335	153,624

	2014 $000	2013 $000
Shareholders' equity	157,712	122,564
Group share - 24.99%	39,412	30,629
Gain on purchase	(955)	(955)
Subsequent adjustment made by associate	60	60
Carrying value of investment	38,517	29,734

Queenstown Airport has contingent liabilities of $7.000 million for noise mitigation and a $2.700 million for a tax dispute. The group's share of Queenstown Airport's contingent liabilities is $2.424 million (2013: nil). The directors of Queenstown Airport declared dividends of $3.640 million in the year ended 30 June 2014 (year ended 30 June 2013: $3.587 million). The group's share of the dividend is $0.910 million (2013: $0.896 million) and the amount receivable at year end was nil (2013: nil).

9. Distribution to shareholders

		GROUP		PARENT	
	Dividend payment date	2014 $000	2013 $000	2014 $000	2013 $000
2012 final dividend of 6.10 cps	19 October 2012	-	80,666	-	80,677
2013 Interim dividend of 5.75 cps	2 April 2013	-	76,048	-	76,058
2013 final dividend of 6.25 cps	17 October 2013	82,661	-	82,673	-
2014 interim dividend	None declared	-	-	-	-
Total dividends paid		82,661	156,714	82,673	156,735

Supplementary dividends of $4.267 million (2013: $6.763 million) are not included in the above dividends as the company receives an equivalent tax credit from the Inland Revenue.

On 26 August 2014, the directors approved the payment of a 2014 fully imputed final dividend of 7.00 cents per share (2013: 6.25 cents per share) to be paid on 17 October 2014.

In April 2014 the company completed a return of capital where one in ten shares were cancelled and $3.43 per cancelled share was paid to shareholders. As the company finalised the capital return to shareholders at a time that would historically coincide with the timing of an interim dividend the company did not elect to pay an interim dividend at the same time as the capital return.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is $215.881 million (2013: $177.967 million).

Earnings per share includes the income statement impact of changes to the fair value of property, plant and equipment, investment property and changes to the fair value of derivatives.

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

	GROUP	
	2014 Shares	2013 Shares
For basic earnings per share	1,294,148,462	1,322,370,824
Effect of dilution of share options	-	-
For dilutive earnings per share	1,294,148,462	1,322,370,824

The 2014 reported basic and diluted earnings per share is 16.68 cents (2013: 13.46 cents).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

11. Property, plant and equipment

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

	GROUP AND PARENT					
Year end 30 June 2014	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Balances at 1 July 2013						
At fair value	1,912,139	546,442	286,226	298,381	-	3,043,188
At cost	-	-	-	-	70,021	70,021
Work in progress at cost	-	23,723	8,408	35,636	7,356	75,123
Accumulated depreciation	-	(65,459)	(21,412)	(25,363)	(55,851)	(168,085)
Balances at 1 July 2013	1,912,139	504,706	273,222	308,654	21,526	3,020,247
Additions and transfers within property, plant and equipment	113	26,536	19,228	2,643	18,560	67,080
Transfers from/(to) investment property	(1,408)	(97)	273	-	97	(1,135)
Disposals	-	-	-	-	-	-
Revaluation recognised in property, plant and equipment revaluation reserve	734,838	-	-	-	-	734,838
Revaluation recognised in the income statement	4,060	-	-	-	-	4,060
Depreciation	-	(32,188)	(11,262)	(13,024)	(7,067)	(63,541)
Movement to 30 June 2014	737,603	(5,749)	8,239	(10,381)	11,590	741,302
Balances at 30 June 2014						
At fair value	2,649,742	573,530	303,581	299,341	-	3,826,194
At cost	-	-	-	-	79,005	79,005
Work in progress at cost	-	23,074	10,554	37,319	16,851	87,798
Accumulated depreciation	-	(97,647)	(32,674)	(38,387)	(62,740)	(231,448)
Balances at 30 June 2014	2,649,742	498,957	281,461	298,273	33,116	3,761,549

Additions for the year ended 30 June 2014 include capitalised interest of $1.961 million (2013: $1.608 million).

In the year the estimated useful life of some runway slabs and an access control system were reduced reflecting changes in the planned replacement timing for those assets. The effect of the change in estimated useful life for these assets was a $1.258 million increase in depreciation in the year ended 30 June 2014 and a $0.356 million decrease in depreciation for the year ending 30 June 2015.

The net revaluation movement in land as at 30 June 2014 was an increase in asset values of $738.899 million.

GROUP AND PARENT						
Year end 30 June 2013	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Balances at 1 July 2012						
At fair value	1,908,808	520,859	285,045	280,012	-	2,994,724
At cost	-	-	-	-	65,710	65,710
Work in progress at cost	-	27,220	5,627	33,158	1,893	67,898
Accumulated depreciation	-	(33,706)	(10,778)	(12,899)	(49,084)	(106,467)
Balances at 1 July 2012	1,908,808	514,373	279,894	300,271	18,519	3,021,865
Additions and transfers within property, plant and equipment	144	22,085	3,964	21,281	9,782	57,256
Transfers from/(to) investment property	3,187	-	-	-	-	3,187
Disposals	-	-	-	-	(7)	(7)
Depreciation	-	(31,752)	(10,635)	(12,898)	(6,768)	(62,053)
Movement to 30 June 2013	3,331	(9,667)	(6,671)	8,383	3,007	(1,617)
Balances at 30 June 2013						
At fair value	1,912,139	546,442	286,226	298,381	-	3,043,188
At cost	-	-	-	-	70,021	70,021
Work in progress at cost	-	23,723	8,408	35,636	7,356	75,123
Accumulated depreciation	-	(65,459)	(21,412)	(25,363)	(55,851)	(168,085)
Balances at 30 June 2013	1,912,139	504,706	273,222	308,654	21,526	3,020,247

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

GROUP AND PARENT						
Year end 30 June 2014	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
At historical cost	133,003	777,021	248,101	288,122	79,005	1,525,252
Work in progress at cost	-	23,074	10,554	37,319	16,851	87,798
Accumulated depreciation	-	(439,428)	(99,239)	(164,542)	(62,740)	(765,949)
Net carrying amount	133,003	360,667	159,416	160,899	33,116	847,101

GROUP AND PARENT						
Year end 30 June 2013	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
At historical cost	132,801	749,943	232,781	285,234	70,021	1,470,780
Work in progress at cost	-	23,723	8,408	35,636	7,356	75,123
Accumulated depreciation	-	(411,388)	(92,749)	(155,322)	(55,851)	(715,310)
Net carrying amount	132,801	362,278	148,440	165,548	21,526	830,593

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

11. Property, plant and equipment CONTINUED

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

Land, buildings and services, infrastructure, runway, taxiways and aprons are carried at fair value. Valuations are performed by an independent valuer having an appropriate recognised professional qualification and recent experience in the category being valued. 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 hold 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.

At the end of each reporting period there is an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. The assessment considers changes in significant inputs since the previous valuation, movements in the capital goods price index and changes in valuations of investment property as an indicator of property, plant and equipment.

The group revalued land at 30 June 2014. Various classifications of land were independently valued by Colliers International Limited (Colliers) and Savills Limited (Savills), registered valuers. The portions related to reclaimed land and seawalls were independently valued by Opus International Consultants Limited (Opus), a multi-disciplinary engineering consultancy company. Land was previously revalued as at 30 June 2011.

At 30 June 2014, the assessment is that there is no material change in the fair value of buildings and services, infrastructure, runway, taxiways and aprons. Those assets were last revalued as at 30 June 2011 by Opus.

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. The valuation methodologies used in the land revaluation as at June 2014 are consistent with the valuation methodologies used in the last valuation as at June 2011.

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 2(j). During the year there were no transfers between the levels of the fair value hierarchy.

The table below summarises the valuation approach and the principle assumptions used in establishing the fair values.

ASSET CLASSIFICATION DESCRIPTION AND VALUATION APPROACH	VALUER	FAIR VALUE AT 30 JUNE 2014 $000	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS	WEIGHTED AVERAGE
Land					
Airfield land, including land for runway, taxiways, aprons and approaches Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use and direct sales comparison.	Savills	668,361	Rate per hectare prior to holding costs (excluding approaches)	$760,412 -$1,337,853	$1,011,315
			Holding costs per hectare (excluding approaches)	$277,258 - $487,802	$368,742
			Holding period (excluding approaches)	5.0 years	NA
			Airfield land discount rate	9.00%	NA
			Rate per hectare (approaches)	$74,070 - $1,046,864	$179,701
Reclaimed land seawalls Optimised depreciated replacement cost	Opus	194,299	Unit costs of seawall construction m^2	$5,250 - $9,950	$7,600
			Unit costs of reclamation m^2	$83 - $152	$106
Aeronautical land, including land associated with aircraft, freight and terminal uses Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions and direct sales comparison.	Savills	228,556	Rate per hectare (excluding commercially leased assets)	$576,969 - $4,500,000	$1,170,837
			Market rent (per sqm) – average	$41 - $318	$99
			Market capitalisation rate – average	5.25% - 8.61%	7.17%
			Terminal capitalisation rate	7.75% - 9.00%	8.37%
			Discount rate	9.00% - 9.50%	9.16%
			Rental growth rate (per annum)	2.50% - 3.40%	2.54%

ASSET CLASSIFICATION DESCRIPTION AND VALUATION APPROACH	VALUER	FAIR VALUE AT 30 JUNE 2014 $000	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS	WEIGHTED AVERAGE
Land associated with car park facilities Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	Colliers	390,242	Discount rate	9.50% - 12.50%	12.14%
			Terminal capitalisation rate	8.00%-8.75%	8.65%
			Revenue growth rate (per annum)	2.03% - 3.50%	3.00%
			Market capitalisation rate	8.00% - 8.75%	8.65%
Land associated with retail facilities within terminal buildings Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	Colliers	1,135,527	Discount rate	9.50% - 18.50%	13.50%
			Terminal capitalisation rate	9.50% - 9.50%	9.50%
			Revenue growth rate (per annum)	3.34% - 3.86%	3.83%
			Market capitalisation rate	9.50% - 9.50%	9.50%
Other land Direct sales comparison.	Savills	32,827	Rate per hectare	$125,000 - $500,000	$436,192
Buildings and services[1]					
Terminal buildings Optimised depreciated replacement cost	Opus	424,006	Unit costs of construction m^2	$1,760 - $6,323	$5,290
Other buildings Optimised depreciated replacement cost	Opus	74,951	Unit costs of construction m^2	$570 - $2,630	$1,310
Infrastructure[1]					
Water and drainage Optimised depreciated replacement cost	Opus	115,722	Unit costs of pipe construction m	$90 - $1,680	$435
Electricity Optimised depreciated replacement cost	Opus	48,585	Unit costs of electrical cabling construction m	$120 - $324	$206
Roads Optimised depreciated replacement cost	Opus	67,928	Unit costs of road and footpaths construction m^2	$76 - $121	$110
Other infrastructure assets Optimised depreciated replacement cost	Opus	49,226	Unit costs of navigation aids and lights	$3,000 - $7,000	$5,900
			Unit costs of fuel pipe construction m^2	$2,620 - $3,750	$3,200
Runway, taxiways and aprons[1]					
Runway, taxiways and aprons Optimised depreciated replacement cost	Opus	298,273	Unit costs of concrete pavement construction m^2	$400 - $663	$566
			Unit costs of asphalt pavement construction m^2	$110 - $166	$153

1: The valuation inputs for buildings and services, infrastructure and runway, taxiways and aprons are from the 2011 valuation.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

11. Property, plant and equipment CONTINUED

Description of different valuation approaches

VALUATION APPROACH	DESCRIPTION
Income capitalisation approach	A valuation methodology which 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 which 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.
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 life of the assets (depreciation) and any sub-optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.

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, which 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, which 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 which 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 direct sales comparison approach			
Rate per hectare	The rate per hectare of recently sold properties of a similar nature.	Increase	Decrease
Unobservable inputs within Market Value Alternative Use (MVAU) plus holding costs			
Rate per hectare prior to holding costs	The assumed rate per hectare, based on recently sold properties, that the group would acquire land, assuming it had not been designated for its existing use.	Increase	Decrease
Holding costs per hectare	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

12. Investment properties

Year end 30 June 2014	Retail and service $000	Industrial $000	Vacant land $000	Other $000	Total $000
	GROUP AND PARENT				
Balance at the beginning of the year	138,233	259,486	188,059	50,124	635,902
Additions - subsequent expenditure	59	25	-	410	494
Additions - acquisitions or development	7,532	25,357	19,090	1,909	53,888
Transfers from (to) property, plant and equipment (note 11)	(370)	(13)	1,412	106	1,135
Change in net revaluations	11,370	12,026	16,197	2,381	41,974
Net carrying amount	156,824	296,881	224,758	54,930	733,393

Year end 30 June 2013	Retail and service $000	Industrial $000	Vacant land $000	Other $000	Total $000
	GROUP AND PARENT				
Balance at the beginning of the year	124,221	239,123	180,819	35,620	579,783
Additions - subsequent expenditure	53	286	154	272	765
Additions - acquisitions or development	2,436	13,338	7,097	12,579	35,450
Transfers from (to) property, plant and equipment (note 11)	21	(2,047)	(1,167)	6	(3,187)
Change in net revaluations	11,502	8,786	1,156	1,647	23,091
Net carrying amount	138,233	259,486	188,059	50,124	635,902

Additions for the year ended 30 June 2014 include capitalised interest of $1.258 million (2013: $0.640 million).

Investment property is measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent registered valuers. The valuations as at 30 June 2014 and as at 30 June 2013 were performed by Savills Limited (Savills), Colliers International Limited (Colliers), and CB Richard Ellis Limited (CBRE). The investment properties assigned to valuers are rotated across the portfolio every three years with the last rotation in June 2013. All valuers are registered valuers and industry specialists in valuing these types of investment properties.

The group's investment property are all categorised as Level 3 in the fair value hierarchy, as described in note 2(j).

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. Further details of the valuation methodologies and sensitivities are included in note 11 (c). The valuation methodologies are consistent with prior year.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

12. Investment properties CONTINUED

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

ASSET CLASSIFICATION AND DESCRIPTION	VALUATION APPROACH	FAIR VALUE AT 30 JUNE 2014 $000	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVABLE 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.	156,824	Market rent (per sqm)	$39 - $584	$202
			Market capitalisation rate	4.00% - 9.00%	7.09%
			Terminal capitalisation rate	6.75% - 9.25%	7.81%
			Discount rate	7.75% - 10.25%	8.93%
			Rental growth rate (per annum)	2.36% - 2.90%	2.61%
Industrial					
	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	296,881	Market rent (per sqm)	$66 - $266	$113
			Market capitalisation rate	6.75% - 9.44%	7.74%
			Terminal capitalisation rate	7.25% - 9.75%	8.08%
			Discount rate	8.50% - 11.00%	9.32%
			Rental growth rate (per annum)	2.36% - 3.00%	2.60%
Vacant land					
	Direct sales comparison and residual value.	224,758	Rate per hectare	$80,000 - $5,210,000	$710,000
Other					
	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	54,930	Market rent (per sqm)	$196 - $460	$307
			Market capitalisation rate	7.00% -8.25%	7.77%
			Terminal capitalisation rate	8.00% - 8.75%	8.48%
			Discount rate	9.00% - 9.75%	9.30%
			Rental growth rate (per annum)	2.38% - 2.50%	2.44%

	GROUP AND PARENT	
	2014 $000	2013 $000
Rental income for investment properties	32,389	30,050
Recoverable cost income	4,000	3,472
Direct operating expenses for investment properties that derived rental income	(4,890)	(4,161)
Direct operating expenses for investment properties that did not derive rental income	(417)	(388)

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

	GROUP AND PARENT	
	2014 $000	2013 $000
Colliers International Limited	277,131	235,298
CB Richard Ellis Limited	232,843	207,474
Savills Limited	214,618	178,477
Investment property carried at cost	8,801	14,653
Total fair value of investment properties	733,393	635,902

13. Cash and cash equivalents

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Short-term deposits	38,530	67,700	38,530	67,700
Cash and bank balances	2,839	1,453	2,839	1,453
	41,369	69,153	41,369	69,153

Cash and bank balances earn interest at daily bank deposit rates.

During the year surplus funds were deposited on the overnight money market and term deposit at a rate of between 2.50 percent to 4.06 percent (2013: at a rate of 2.50 percent to 4.06 percent).

14. Accounts receivable

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Trade receivables	5,519	4,358	5,519	4,358
Less: Provision for doubtful debts	(520)	(370)	(520)	(370)
Net trade receivables	4,999	3,988	4,999	3,988
Revenue accruals and other receivables	18,624	17,701	18,624	17,700
	23,623	21,689	23,623	21,688

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Doubtful debts of $0.520 million (2013: $0.370 million) have been recognised by the group at year end. Movements in the provision for doubtful debts have been included in other expense in the income statement. No individual amount within the provision for doubtful debts is material.

Movements in the provision for impairment loss were as follows:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
At 1 July	370	370	370	370
Change in provision for the year	165	8	165	8
Amounts written off	(15)	(8)	(15)	(8)
At 30 June	520	370	520	370

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

15. Issued and paid-up capital

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Opening number issued and paid-up capital at 1 July	348,848	348,846	349,501	349,055
Shares fully paid and allocated to employees by employee share scheme	6	2	-	-
Shares issued to employee share scheme	-	-	56	446
Shares cancelled	(16,511)	-	(16,536)	-
Closing issued and paid-up capital at 30 June	332,343	348,848	333,021	349,501

	GROUP		PARENT	
	2014 Shares	2013 Shares	2014 Shares	2013 Shares
Opening number of shares issued at 1 July	1,322,371,645	1,322,370,745	1,322,754,089	1,322,564,489
Shares fully paid and allocated to employees by employee share scheme	2,700	900	-	-
Shares issued to employee share scheme	-	-	18,500	189,600
Shares cancelled	(132,247,858)	-	(132,288,492)	-
Closing number of shares issued at 30 June	1,190,126,487	1,322,371,645	1,190,484,097	1,322,754,089

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

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

Shares forfeited by employees participating in the Employee Share Purchase Plan become shares held by the Employee Share Purchase Plan. Shares allocated to employees participating in the Employee Share Purchase Plan are no longer shares held by the Employee Share Purchase Plan. As a member of the group the shares held by the Employee Share Purchase Plan are eliminated from the group's issued and paid-up capital. At 30 June 2014 the number of shares held by the Employee Share Purchase Plan was 358,420 (2013: 382,444), (refer note 26(a)).

On 12 February 2014 shareholders approved a planned capital return by way of a 1:10 share cancellation and a payment of $3.43 for each share cancelled at a total cost of $454.146 million. The capital return was paid to shareholders on 14 April 2014. The capital return has been applied as a reduction of issued and paid-up capital of $16.511 million, representing the estimated share capital attributable to the shares purchased, and the balance of $437.635 million was applied against the cancelled share reserve, (refer note 16(b)).

Supplementary dividends of $15.858 million were paid on the capital return. This amount has not been included in the above capital return as the company receives an equivalent tax credit from the Inland Revenue.

16. Retained earnings and reserves

a / Movements in retained earnings were:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at 1 July	203,643	181,957	219,810	192,531
Profit after taxation	215,881	177,967	217,929	183,581
Ordinary dividends paid (refer note 9)	(82,661)	(156,714)	(82,673)	(156,735)
Reclassification from revaluation reserve	1,886	433	1,886	433
Balance at 30 June	338,749	203,643	356,952	219,810

b / Reserves

(i) Cancelled share reserve	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at 1 July	(171,604)	(171,604)	(171,604)	(171,604)
Shares cancelled as part of capital return	(437,635)	-	(437,635)	-
Balance at 30 June	(609,239)	(171,604)	(609,239)	(171,604)

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. The capital return in April 2014 as detailed in note 15 has resulted in a reduction of issued and paid-up capital of $16.511 million, representing the estimated share capital attributable to the shares purchased, and the balance of $437.635 million applied against the cancelled share reserve.

(ii) Property, plant and equipment revaluation reserve	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at 1 July	2,147,691	2,148,589	2,147,691	2,148,589
Reclassification to retained earnings	(1,886)	(433)	(1,886)	(433)
Revaluation	734,838	-	734,838	-
Movement in deferred tax	-	(465)	-	(465)
Balance at 30 June	2,880,643	2,147,691	2,880,643	2,147,691

(iii) Share-based payments reserve	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at the beginning and end of the year	913	913	913	913

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

(iv) Cash flow hedge reserve	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at 1 July	(18,009)	(26,614)	(18,009)	(26,614)
Fair value change in hedging instrument	(3,073)	3,187	(3,073)	3,187
Transfer to income statement	8,708	8,764	8,708	8,764
Movement in deferred tax	(1,578)	(3,346)	(1,578)	(3,346)
Balance at 30 June	(13,952)	(18,009)	(13,952)	(18,009)

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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

16. Retained earnings and reserves CONTINUED

(v) Share of reserves of associates	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at 1 July	(10,510)	(11,351)	-	-
Share of reserves of associates	8,454	841	-	-
Balance at 30 June	(2,056)	(10,510)	-	-

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

(vi) Foreign Currency Translation Reserve	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Balance at 1 July	(1,465)	2,031	-	-
Fair value change in hedging instrument	4,424	7,009	-	-
Foreign currency translation	(11,425)	(10,505)	-	-
Balance at 30 June	(8,466)	(1,465)	-	-

17. Accounts payable and accruals

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Employee entitlements	3,252	2,929	3,252	2,929
Phantom option plan accrual (refer note 26)	6,766	5,856	6,766	5,856
GST payable	2,928	2,958	2,928	2,958
Property plant and equipment retentions and payables	15,708	11,178	15,708	11,178
Investment property retentions and payables	6,074	8,545	6,074	8,545
Trade payables	4,091	3,878	4,091	3,878
Interest payables	12,478	11,572	12,478	11,572
Other payables and accruals	18,075	15,233	17,853	15,147
Total Accounts Payable and Accruals	69,372	62,149	69,150	62,063

Amounts owing to the related parties at 30 June 2014 are $0.193 million (2013: $0.144 million).

18. Borrowings

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

			GROUP		PARENT	
	Maturity	Coupon	2014 $000	2013 $000	2014 $000	2013 $000
Current						
Commercial paper	< 3 months	Floating	81,643	81,709	81,643	81,709
Bonds	28/2/2014	7.25%	-	50,000	-	50,000
Bonds	27/11/2014	7.00%	125,425	-	125,425	-
Bank facility	31/1/2015	Floating	43,052	-	43,052	-
Bank facility	7/4/2015	Floating	130,000	-	130,000	-
Total short-term borrowings			380,120	131,709	380,120	131,709
Non-current						
Bank facility	31/1/2015	Floating	-	47,270	-	47,270
Bank facility	10/3/2016	Floating	145,000	125,000	145,000	125,000
Bank facility	14/9/2017	Floating	43,052	47,270	43,052	47,270
Bonds	27/11/2014	7.00%	-	126,918	-	126,918
Bonds	9/11/2015	7.25%	100,000	100,000	100,000	100,000
Bonds	10/8/2016	8.00%	25,730	26,614	25,730	26,614
Bonds	15/11/2016	8.00%	129,992	129,992	129,992	129,992
Bonds	11/4/2017	Floating	150,000	-	150,000	-
Bonds	17/10/2017	5.47%	99,749	100,950	99,749	100,950
Bonds	13/12/2019	4.73%	100,000	100,000	100,000	100,000
Bonds	28/5/2021	5.52%	150,000	-	150,000	-
USPP notes	15/2/2021	4.42%	60,732	68,438	60,732	68,438
USPP notes	12/7/2021	4.67%	61,334	69,119	61,334	69,119
USPP notes	15/2/2023	4.57%	61,235	68,665	61,235	68,665
Total term borrowings			1,126,824	1,010,236	1,126,824	1,010,236
Total						
Commercial paper			81,643	81,709	81,643	81,709
Bank facilities			361,104	219,540	361,104	219,540
Bonds			880,896	634,474	880,896	634,474
USPP notes			183,301	206,222	183,301	206,222
Total borrowings			1,506,944	1,141,945	1,506,944	1,141,945
Summary of maturities						
Due less than 1 year			380,120	131,709	380,120	131,709
Due 1 to 3 years			550,722	346,458	550,722	346,458
Due 3 to 5 years			142,801	256,606	142,801	256,606
Due greater than 5 years			433,301	407,172	433,301	407,172
			1,506,944	1,141,945	1,506,944	1,141,945

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

18. Borrowings CONTINUED

Bank facilities

				GROUP AND PARENT					
				2014			2013		
Type	Bank	Maturity	Facility currency	Available NZ $000	Drawn NZ $000	Undrawn NZ $000	Available NZ $000	Drawn NZ $000	Undrawn NZ $000
Dual tranche - Facility A	Commonwealth Bank of Australia	31/1/2015	NZD	135,000	-	135,000	135,000	-	135,000
Dual tranche - Facility B	Commonwealth Bank of Australia	31/1/2015	AUD	43,052	43,052	-	47,270	47,270	-
Bridge facility	ANZ Bank New Zealand	7/4/2015	NZD	220,000	-	220,000	-	-	-
Bridge facility	Commonwealth Bank of Australia	7/4/2015	NZD	220,000	130,000	90,000	-	-	-
Standby facility	Bank of Tokyo-Mitsubishi UFJ	10/3/2016	NZD	150,000	145,000	5,000	150,000	125,000	25,000
Multi-currency facility	Bank of New Zealand	14/9/2017	NZD & AUD	80,000	43,052	36,948	80,000	47,270	32,730
			Total NZD equivalent	848,052	361,104	486,948	412,270	219,540	192,730

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

Commercial paper

Commercial paper rates are set through a tender process and during the year ended 30 June 2014 the range of weighted average interest rates for each issue has been between 2.96 percent and 3.74 percent (2013: 2.87 percent and 3.03 percent) and at year end the rates were between 3.56 percent and 3.74 percent (2013: 2.97 percent and 3.01 percent).

Bank facilities

In October 2011, the company established a dual tranche multi-currency bank facility provided by Commonwealth Bank of Australia. The drawn AUD 40 Million Facility B is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports.

In February 2014, the company established new bank facilities with the ANZ Bank and the Commonwealth Bank of Australia. The facilities were established in relation to the April 2014 return of capital.

During December 2009, the company established a bilateral $150 million standby bank facility provided by Bank of Tokyo-Mitsubishi UFJ. The purpose of the standby facilities is to support the commercial paper programme and to provide liquidity support for general working capital.

In September 2012, the company established a multi-currency bank facility (NZD and AUD) provided by Bank of New Zealand for NZD80 million equivalent. The drawn AUD40 million is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports.

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

The rates on NZD bank facilities during the year (excluding any hedging) were between 3.08 percent and 4.02 percent (2013: 3.07 percent and 3.62 percent) and at year end the rates were between 3.44 percent and 4.02 percent (2013: 3.09 percent and 3.11 percent). The rates on AUD bank facilities during the year (excluding any hedging) were between 3.74 percent and 4.28 percent (2013: 4.19 percent and 5.45 percent) and at year end the rates were between 3.89 percent and 4.09 percent (2013: 4.19 percent and 4.28 percent).

Bonds

In May 2014, the company raised $150 million through a New Zealand public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 5.52 percent with a maturity of 28 May 2021.

In April 2014, the company raised $150 million through a New Zealand wholesale floating rate bond issue. The bonds are unsecured and unsubordinated and pay interest at the floating rate plus 60 basis points with a maturity of 11 April 2017.

In December 2012, the company raised $100 million through a New Zealand public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 4.73 percent with a maturity of 13 December 2019.

In February 2014 the $50 million 7.25% percent fixed rate bonds matured and were repaid.

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

US private placement notes

In December 2010, the company issued a total of USD 150 million in the USPP market made up of three tranches of USD 50 million each. The tranches are a 4.42 percent coupon 10 year note and a 4.57 percent coupon 12 year note which were drawn in February 2011 as well as a 4.67 percent coupon 10 year note drawn in July 2011. Three cross currency interest rate swaps were also entered into at the same time to swap the USD principal and fixed coupon obligations to NZD floating interest rates (3 month BKBM plus 2.05 percent, 2.143 percent and 2.328 percent respectively). These facilities are recorded on the balance sheet at their fair value including translation to NZD at the spot rate as at 30 June 2014.

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

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Profit after taxation	215,881	177,967	217,929	183,581
Non-cash items:				
Depreciation	63,541	62,053	63,541	62,053
Bad debts and doubtful debts	165	8	165	8
Deferred taxation expense	(1,542)	(2,898)	(1,786)	(3,424)
Items recognised directly in equity	(4,011)	-	-	-
Equity accounted earnings from associates	(11,632)	(9,921)	-	-
Property, plant and equipment revaluation	(4,060)	-	(4,060)	-
Investment property fair value increase	(41,974)	(23,091)	(41,974)	(23,091)
Derivative fair value increase	(636)	(1,473)	(636)	(1,473)
Loss/(gain) on foreign currency movements	246	5	(5,389)	(6,971)
Intercompany Interest	-	-	(12,755)	(13,713)
Tax credits from subsidiaries	-	-	5,253	3,556
Items not classified as operating activities:				
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	(4,492)	(773)	(4,492)	(773)
(Increase)/decrease in investment property retentions and payables	2,471	(3,202)	2,471	(3,202)
Movement in working capital:				
(Increase)/decrease in current assets	(2,234)	(3,883)	(2,234)	(3,882)
(Decrease)/increase in taxation payable	(7,621)	4,213	(10,415)	6,334
Increase/(decrease) in accounts payable	7,590	8,766	7,654	8,681
Increase/(decrease) in other term liabilities	(17)	45	(17)	45
Net cash flow from operating activities	211,675	207,816	213,255	207,729

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

20. Financial instruments

The group's financial instruments that are assets comprise cash and cash equivalents, accounts receivable and dividends receivable (classified as loans and receivables) and derivatives (classified as held for trading or designated as a hedge).

The group's financial instruments that are liabilities comprise accounts payable and accruals, borrowings, provisions, other liabilities (classified as financial liabilities at amortised cost) and derivatives (designated as a hedge).

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

	GROUP				
	Loans and receivables $000	Financial liabilities at amortised cost $000	Designated as a hedge relationship $000	Fair value through profit and loss - held for trading $000	Total $000
30 June 2014					
Current assets					
Cash and cash equivalents	41,369	-	-	-	41,369
Accounts receivable	23,623	-	-	-	23,623
Dividend receivable	2,695	-	-	-	2,695
Derivative financial instruments	-	-	537	-	537
	67,687	-	537	-	68,224
Non-current assets					
Derivative financial instruments	-	-	3,044	3,902	6,946
					-
Total financial assets	67,687	-	3,581	3,902	75,170
Current liabilities					
Accounts payable	-	69,372	-	-	69,372
Short-term borrowings	-	380,120	-	-	380,120
Provisions	-	1,904	-	-	1,904
Derivative financial instruments	-	-	7	-	7
	-	451,396	7	-	451,403
Non-current liabilities					
Term borrowings	-	1,126,824	-	-	1,126,824
Derivative financial instruments	-	-	33,083	-	33,083
Other term liabilities	-	728	-	-	728
	-	1,127,552	33,083	-	1,160,635
Total financial liabilities	-	1,578,948	33,090	-	1,612,038

	GROUP				
	Loans and receivables $000	Financial liabilities at amortised cost $000	Designated as a hedge relationship $000	Fair value through profit and loss - held for trading $000	Total $000
30 June 2013					
Current assets					
Cash and cash equivalents	69,153	-	-	-	69,153
Accounts receivable	21,689	-	-	-	21,689
Dividend receivable	3,568	-	-	-	3,568
Derivative financial instruments	-	-	18	-	18
	94,410	-	18	-	94,428
Non-current assets					
Derivative financial instruments	-	-	14,115	2,939	17,054
	-	-	-	-	-
Total financial assets	94,410	-	14,133	2,939	111,482
Current liabilities					
Accounts payable	-	62,149	-	-	62,149
Short-term borrowings	-	131,709	-	-	131,709
Provisions	-	1,942	-	-	1,942
	-	195,800	-	-	195,800
Non-current liabilities					
Term borrowings	-	1,010,236	-	-	1,010,236
Derivative financial instruments	-	-	21,733	-	21,733
Other term liabilities	-	745	-	-	745
	-	1,010,981	21,733	-	1,032,714
Total financial liabilities	-	1,206,781	21,733	-	1,228,514

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

20. Financial instruments CONTINUED

	PARENT				
	Loans and receivables $000	Financial liabilities at amortised cost $000	Designated as a hedge relationship $000	Fair value through profit and loss - held for trading $000	Total $000
30 June 2014					
Current assets					
Cash and cash equivalents	41,369	-	-	-	41,369
Accounts receivable	23,623	-	-	-	23,623
Dividend receivable	-	-	-	-	-
Derivative financial instruments	-	-	537	-	537
	64,992	-	537	-	65,529
Non-current assets					
Derivative financial instruments	-	-	3,044	3,902	6,946
Intercompany loan	152,062	-	-	-	152,062
	152,062	-	3,044	3,902	159,008
Total financial assets	217,054	-	3,581	3,902	224,537
Current liabilities					-
Accounts payable	-	69,151	-	-	69,151
Short-term borrowings	-	380,120	-	-	380,120
Provisions	-	1,904	-	-	1,904
Derivative financial instruments	-	-	7	-	7
	-	451,175	7	-	451,182
Non-current liabilities					-
Term borrowings	-	1,126,824	-	-	1,126,824
Derivative financial instruments	-	-	33,083	-	33,083
Other term liabilities	-	728	-	-	728
	-	1,127,552	33,083	-	1,160,635
Total financial liabilities	-	1,578,727	33,090	-	1,611,817

	PARENT				
	Loans and receivables $000	Financial liabilities at amortised cost $000	Designated as a hedge relationship $000	Fair value through profit and loss - held for trading $000	Total $000
30 June 2013					
Current assets					
Cash and cash equivalents	69,153	-	-	-	69,153
Accounts receivable	21,688	-	-	-	21,688
Dividend receivable	-	-	-	-	-
Derivative financial instruments	-	-	18	-	18
	90,841	-	18	-	90,859
Non-current assets					
Derivative financial instruments	-	-	14,115	2,939	17,054
Intercompany loan	162,751	-	-	-	162,751
	162,751	-	14,115	2,939	179,805
Total financial assets	253,592	-	14,133	2,939	270,664
Current liabilities					
Accounts payable	-	62,063	-	-	62,063
Short-term borrowings	-	131,709	-	-	131,709
Provisions	-	1,942	-	-	1,942
	-	195,714	-	-	195,714
Non-current liabilities					
Term borrowings	-	1,010,236	-	-	1,010,236
Derivative financial instruments	-	-	21,733	-	21,733
Other term liabilities	-	745	-	-	745
	-	1,010,981	21,733	-	1,032,714
Total financial liabilities	-	1,206,695	21,733	-	1,228,428

Derivative financial instruments

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

20. Financial instruments CONTINUED

Fair value

The group's derivative financial instruments are all classified as level 2 under the fair value hierarchy as described in note 2(j). The techniques and key inputs used to determine their values are presented in the table below.

There have been no transfers between levels of the fair value hierarchy in the year ended 30 June 2014.

In the year ended 30 June 2014 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities.

	Fair value as at 30 Jun 2014 $000	Fair value as at 30 Jun 2013 $000	Valuation techniques and key inputs
Interest rate swaps			**Discounted cash flow** – Future cash flows are estimated based on forward interest rates (from observable yield curves) and contract interest rates. The cash flows are discounted at a rate that reflects the credit risk of various counter-parties.
Assets	3,581	7,354	
Liabilities	(13,576)	(21,733)	
Interest basis swaps			**Discounted cash flow** – Future cash flows are estimated based on observable forward basis swap pricing and contract basis rates. The cash flows are discounted at a rate that reflects the credit risk of various counter-parties.
Assets	3,903	2,939	
Cross-currency interest rate swaps			**Discounted cash flow** – Future cash flows are estimated based on observable forward interest and foreign exchange rates (from observable yield curves and forward foreign exchange rates) and contract rates. The cash flows are discounted at a rate that reflects the credit risk of various counter-parties.
Assets	-	6,779	
Liabilities	(19,514)	-	

Refer to notes 21(c) and 21(d) for further information about the fair value of interest and foreign currency derivatives.

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

The group's bonds are classified as level 1 under the fair value hierarchy as described in note 2(j). The fair value of the bonds is based on the quoted market prices for these instruments at balance date. The group's USPP notes are all classified as level 2 under the fair value hierarchy as described in note 2(j). The fair value of the USPP notes has been determined at balance date on a discounted cash flow basis using the USD Bloomberg Curve and applying discount factors to the future USD interest payment and principal payment cash flows.

	GROUP AND PARENT			
	2014		2013	
	Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Bonds	880,896	899,580	634,474	667,389
USPP notes	183,301	194,928	206,222	212,353

21. Financial risk management objectives and policies

The group has a treasury policy which limits exposure to market risk for changes in interest rates and foreign currency, liquidity risk and counter-party credit risk. The group has no other material direct price risk exposure.

a / Credit risk

The group's maximum exposure to credit risk at 30 June is equal to the carrying value for cash, accounts receivable, dividend receivable, other non-current assets and derivative financial instruments. The parent's maximum exposure to credit risk includes the carrying value of financial instruments listed above as well as the carrying value of the inter-company loans.

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 company minimises its credit risk by spreading such exposures across a range of institutions.

The group's credit risk is also attributable to accounts receivable which principally comprise amounts due from airlines, tenants and licensees. The group has a policy that manages exposure to credit risk by way of requiring a performance bond for some customers whose credit rating or history indicates that this would be prudently required. The value of performance bonds for the group is $0.728 million (2013: $0.745 million). There are no significant concentrations of credit risk.

b / Liquidity risk

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

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2014, this facility headroom was $486.948 million (2013: $192.730 million). The group's policy also requires the spreading of debt maturities.

(i) Non-derivative financial liabilities

The following liquidity risk disclosures reflect all undiscounted repayments and interest resulting from recognised financial liabilities and financial assets as at 30 June 2014. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Trade payables and other financial liabilities mainly originate from the financing of assets used in the group's on-going operations such as property, plant and equipment, investment properties and investments in working capital.

Liquid non-derivative assets comprising cash and receivables are considered in the group's overall liquidity risk. The group ensures that sufficient liquid assets or committed funding facilities are available to meet all the required short term cash payments and expects borrowings to roll over.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

21. Financial risk management objectives and policies CONTINUED

	GROUP				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2014					
Financial assets					
Cash and cash equivalents	41,369	-	-	-	41,369
Accounts receivable	23,623	-	-	-	23,623
Dividend receivable	2,695	-	-	-	2,695
Total financial assets	67,687	-	-	-	67,687
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	72,004	-	-	-	72,004
Commercial paper	82,000	-	-	-	82,000
Bank facilities	173,052	145,000	43,052	-	361,104
Bonds	125,000	404,992	100,000	250,000	879,992
USPP notes	-	-	-	195,184	195,184
Interest payable	67,241	89,405	43,610	37,003	237,259
Total financial liabilities	519,297	639,397	186,662	482,187	1,827,543

	GROUP				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2013					
Financial assets					
Cash and cash equivalents	69,153	-	-	-	69,153
Accounts receivable	21,689	-	-	-	21,689
Dividend receivable	3,568	-	-	-	3,568
Total financial assets	94,410	-	-	-	94,410
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	64,836	-	-	-	64,836
Commercial paper	82,000	-	-	-	82,000
Bank facilities	-	172,270	47,270	-	219,540
Bonds	50,000	225,000	254,992	100,000	629,992
USPP notes	-	-	-	195,184	195,184
Interest payable	60,209	90,472	40,941	37,414	229,036
Total financial liabilities	257,045	487,742	343,203	332,598	1,420,588

	PARENT				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2014					
Financial assets					
Cash and cash equivalents	41,369	-	-	-	41,369
Accounts receivable	23,623	-	-	-	23,623
Dividend receivable	-	-	-	-	-
Total financial assets	64,992	-	-	-	64,992
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	71,783	-	-	-	71,783
Commercial paper	82,000	-	-	-	82,000
Bank facilities	173,052	145,000	43,052	-	361,104
Bonds	125,000	404,992	100,000	250,000	879,992
USPP notes	-	-	-	195,184	195,184
Interest payable	67,241	89,405	43,610	37,003	237,259
Total financial liabilities	519,076	639,397	186,662	482,187	1,827,322

	PARENT				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2013					
Financial assets					
Cash and cash equivalents	69,153	-	-	-	69,153
Accounts receivable	21,689	-	-	-	21,689
Dividend receivable	-	-	-	162,751	162,751
Total financial assets	90,842	-	-	162,751	253,593
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	64,750	-	-	-	64,750
Commercial paper	82,000	-	-	-	82,000
Bank facilities	-	172,270	47,270	-	219,540
Bonds	50,000	225,000	254,992	100,000	629,992
USPP notes	-	-	-	195,184	195,184
Interest payable	60,209	90,472	40,941	37,414	229,036
Total financial liabilities	256,959	487,742	343,203	332,598	1,420,502

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

21. Financial risk management objectives and policies CONTINUED

(ii) Derivative financial liabilities

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

	GROUP AND PARENT				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
At 30 June 2014					
Current derivative assets – fair value hedge	545	-	-	-	545
Non-current derivative assets – fair value hedge	489	884	-	-	1,373
Non-current derivative assets – interest basis swap	628	1,261	1,260	1,602	4,751
Non-current derivative assets – cash flow hedge	-	(16)	552	1,910	2,446
Current derivative liability – cash flow hedge	(7)	-	-	-	(7)
Non-current derivative liabilities – fair value hedge	283	(297)	(132)	-	(146)
Non-current derivative liabilities – cross currency hedges	(3,743)	(9,828)	(10,157)	3,455	(20,273)
Non-current derivative liabilities – cash flow hedge	(5,879)	(6,628)	(1,876)	75	(14,308)
Total	(7,684)	(14,624)	(10,353)	7,042	(25,619)

	GROUP AND PARENT				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
At 30 June 2013					
Current derivative assets – cash flow hedge	18	-	-	-	18
Non-current derivative assets – cash flow hedge	-	-	61	2,608	2,669
Non-current derivative assets – fair value hedge	3,030	2,169	424	-	5,623
Non-current derivative assets – cross currency hedge	(775)	(4,643)	(6,831)	27,373	15,124
Non-current derivative assets – interest basis swap	483	796	795	1,408	3,482
Non-current derivative liabilities – cash flow hedge	(6,820)	(11,258)	(5,074)	78	(23,074)
Total	(4,064)	(12,936)	(10,625)	31,467	3,842

c / Interest rate risk

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

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt 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, 58.3 percent (2013: 66 percent) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The hedged forecast future interest payments are expected to occur at various dates between one month and nine years from 30 June 2014 (2013: one month and ten years).

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Financial assets				
Cash and cash equivalents	41,369	69,153	41,369	69,153
	41,369	69,153	41,369	69,153
Financial liabilities				
Bonds in fair value hedge	125,000	125,000	125,000	125,000
Floating rate bonds	150,000	-	150,000	-
Bank facilities	178,052	47,270	178,052	47,270
Commercial paper	22,000	57,000	22,000	57,000
USPP notes	195,184	195,184	195,184	195,184
	670,236	424,454	670,236	424,454
Net exposure	628,867	355,301	628,867	355,301

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Increase in interest rates of one hundred basis points				
Effect on profit before taxation	(6,289)	(3,553)	(6,289)	(3,553)
Effect on equity before taxation	13,186	14,909	13,186	14,909
Decrease in interest rates of one hundred basis points				
Effect on profit before taxation	6,289	3,553	6,289	3,553
Effect on equity before taxation	(14,130)	(16,143)	(14,130)	(16,143)

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

- Effect on profit before tax and effect on retained earnings is based on net floating rate debt and funds on deposit as at 30 June 2014 of $478.867 million (2013: $355.301 million). An interest rate of plus and minus one hundred basis points has therefore been applied to this floating rate debt to demonstrate the sensitivity of interest rate risk.
- Effect on cash flow hedge reserve is the movement in valuation of derivatives in a cash flow hedge relationship as at 30 June due to an increase and decrease in interest rates. All derivatives which are effective as at 30 June 2014 are assumed to remain effective until maturity, therefore any movement in these derivative valuations are taken to the cash flow hedge reserve.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

21. Financial risk management objectives and policies CONTINUED

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Current assets				
Interest rate swaps – fair value hedges	537	-	537	-
Total	537	-	537	-
Non-current assets				
Cross-currency interest rate swaps	-	6,779	-	6,779
Interest rate swaps – fair value hedges	1,309	5,392	1,309	5,392
Interest rate swaps – cash flow hedges	1,735	1,944	1,735	1,944
Interest basis swaps	3,902	2,939	3,902	2,939
Total	6,946	17,054	6,946	17,054
Non-current liabilities				
Cross-currency interest rate swaps	19,514	-	19,514	-
Interest rate swaps – fair value hedges	150	-	150	-
Interest rate swaps – cash flow hedges	13,419	21,733	13,419	21,733
Total	33,083	21,733	33,083	21,733

Interest rate swaps

Cash flow hedges

At 30 June 2014, the company held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount (in NZD and AUD). The notional amount of the interest rate swaps in a cash flow hedge at 30 June 2014 is $418.052 million (2013: $422.270 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on bank facilities and commercial paper. The interest payment frequency on these borrowings is quarterly.

During the year, the company entered into two AUD interest rate swaps, both with effective dates of 13 January 2014 and both with notional values of AUD 20.000 million. One swap has a maturity date of 13 January 2015, while the other has a maturity date of 13 January 2016. The combined notional value of AUD 40.000 million is used as a cash flow hedge against one of the AUD bank facilities.

During the year, the company assessed the cash flow hedges to be highly effective. No ineffectiveness has been required to be recognised in the income statement except for the recognition of counter-party credit risk associated with the derivatives.

Fair value hedges

At 30 June 2014, the company held interest rate swaps and cross-currency interest rate swaps where it receives a fixed rate of interest and pays a variable rate on the notional amount. The notional amount of the interest rate swaps and cross-currency interest rate swaps at 30 June 2014 is $320.184 million (includes $195.184 million of cross-currency interest rate swaps) (2013: $320.184 million, included $195.184 million of cross-currency interest rate swaps). These interest rate swaps and cross-currency interest rate swaps are designated as fair value hedges and transform a series of known fixed debt interest cash flows to future variable debt interest cash flows so as to mitigate exposure to fair value changes in fixed interest bonds and the USPP notes.

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Gains/(losses) on the fixed interest bonds	3,578	3,896	3,578	3,896
Gains/(losses) on the USPP notes	167	13,050	167	13,050
Gains/(losses) on the derivatives	(3,745)	(16,946)	(3,745)	(16,946)

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

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Interest basis swaps transacted as hedges but not qualifying for hedge accounting	951	1,473	951	1,473
Credit valuation adjustments on hedges qualifying for hedge accounting	(315)	-	(315)	-
Gains/(losses) on the derivatives	636	1,473	636	1,473

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Increase of NZD/USD basis spread of 10 points				
Impact on profit before taxation	(1,133)	(1,375)	(1,133)	(1,375)
Decrease of NZD/USD basis spread of 10 points				
Impact on profit before taxation	1,133	1,375	1,133	1,375

d / Foreign currency risk

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

The group has two bank facilities which are drawn down in Australian dollars to a total of AUD 80.000 million as a partial hedge of the net investment in North Queensland Airport operation (2013: AUD 80.000 million).

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

21. Financial risk management objectives and policies CONTINUED

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. At 30 June 2014, had the New Zealand dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Increase in value of NZ dollar of 10 percent				
Impact on profit before taxation	(79)	(42)	7,749	8,553
Impact on equity before taxation	(19,166)	(22,467)	(17,022)	(19,541)
Decrease in value of NZ dollar of 10 percent				
Impact on profit before taxation	96	51	(9,471)	(10,453)
Impact on equity before taxation	23,425	27,459	20,804	23,884

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

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus and minus 10 percent has therefore been applied to the exchange rates to demonstrate the sensitivity of foreign currency risk of the company's investment in foreign operations, debt and associated derivative financial instruments.
- The sensitivity was calculated by taking the spot rate as at balance date of 0.9291 (2013: 0.8462) for AUD and 0.8762 (2013: 0.7734) for USD and moving this spot rate by the reasonably possible movements of plus and minus 10 percent and then re-converting the foreign currency into NZD with the 'new spot-rate'. This methodology reflects the translation methodology undertaken by the group.
- As at 30 June 2014 the AUD 80.000 million (2013: AUD 80.000 million) bank facility is not hedge accounted in the parent therefore all foreign exchange movements are taken to the income statement, and is in a net investment hedge at the group level, so all movements are taken to the foreign currency translation reserve.
- The cross-currency interest rate swaps contract on the USD USPP notes in place as at 30 June 2014 are no longer 100 percent effective as at 30 June 2014 due to the inclusion of counterparty credit risk adjustments. The cross-currency interest rate swaps consist of a fair value hedge component and a cash flow hedge component. The ineffective portion of both components are taken to the income statement as disclosed in note 5. 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 USPP 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 twelve months from balance date.

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Non-current assets				
Cross-currency interest rate swaps	-	6,779	-	6,779
Non-current liabilities				
Cross-currency interest rate swaps	19,514	-	19,514	-

Foreign currency translation risk of investment in North Queensland Airports

At 30 June 2014, AUD 80.000 million (2013: AUD 80.000 million) of bank facilities are drawn as a net investment hedge (at group level) of foreign currency translation risk of the investment in North Queensland Airport, therefore all foreign exchange revaluation movements on the bank facility and on the investment in North Queensland Airport are recognised in the foreign currency translation reserve. The AUD 80.000 million bank facility is not hedge accounted in the parent, therefore all foreign exchange revaluation movements on the bank facilities are recognised in the income statement.

The pre-tax movements on the above mentioned bank facilities during the period were:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Gain/(losses) taken to foreign currency translation reserve	8,435	7,009	-	-
Gain/(losses) taken to profit and loss	-	-	8,435	7,009

Cross-currency interest rate swaps and basis swaps

Cross-currency interest rate swaps combined with the basis swaps are used to convert the US dollar denominated debt issued by the company into New Zealand dollar floating rate debt. Cross-currency interest rate swap contracts eliminate foreign currency risk on the underlying debt determining the New Zealand dollar equivalent to the interest payments and final principal exchange at the time of entering into the contract.

e / Capital risk management

The group's objective is to maintain a capital structure mix of shareholders' equity and debt that achieves a balance between ensuring the group can continue as a going concern and providing a capital structure that 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 appropriate 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 investment, 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.

The gearing ratio is calculated as borrowings divided by borrowings plus the market value of shareholders' equity. The gearing ratio as at 30 June 2014 is 24.7 percent (2013: 22.8 percent). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2014 is A- Stable Outlook (2013: A- Positive Outlook).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

22. Commitments

a / Property, plant and equipment

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for $2.732 million at balance date (2013: $17.600 million).

b / Investment property

The group had contractual obligations to suppliers to purchase or develop investment property for $12.850 million at balance date (2013: $14.815 million). The company has further contractual obligations to tenants to purchase or develop investment property for $15.500 million at balance date (2013: $21.607 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment property for $1.180 million at balance date (2013: $1.072 million).

c / Operating lease receivable – group as lessor

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

These non-cancellable leases have remaining terms of between one month and 27 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Within one year	160,027	155,169	160,027	155,169
After one year but no more than five years	209,241	297,767	209,241	297,767
After more than five years	71,446	75,750	71,446	75,750
Total minimum lease payments receivable	440,714	528,686	440,714	528,686

23. Contingent liabilities

Noise insulation

In December 2001, the Environment Court ratified an agreement that had been reached between Manukau City Council, the company and other interested parties on the location and future operation of a second runway to the north and parallel to the existing runway.

The Environment Court determination includes a number of conditions which apply to the operation of the airport. These conditions include obligations on the company to mitigate the impacts of aircraft noise on the local community. The obligations include the company offering acoustic treatment packages to schools and existing homes within defined areas. Noise levels are monitored continually, and, as the noise impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4,000 homes will eventually be offered assistance.

As it is not possible to accurately predict the rate of change in aircraft noise levels over time, nor the rate of acceptance of offers of treatment to homeowners, the company cannot accurately predict the overall cost or timing of acoustic treatment. It is estimated that, overall, further costs would not exceed $9.0 million (refer to note 24).

24. Provisions for noise mitigation

The group has an obligation to fund the acoustic treatment of homes and schools within defined areas when noise exceeds certain thresholds and when the offer of acoustic treatment is accepted. On acceptance of offers the group records a provision for the estimated cost of fulfilling the obligation. The amount of the provision will change depending on the number of offers accepted, a revision in the estimate of the cost of offers, and when the obligation is funded. As directly attributable costs of a future second runway, the costs are capitalised to the extent that they are not recoverable from other parties.

Since 2005, the company has made acoustic treatment offers to a total of 2,700 houses and six schools. Homeowners of 390 homes and six schools have accepted these offers.

The last offers were made in April 2010 and there are currently no open offers available to be accepted.

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Opening balance	1,942	525	1,942	525
Provisions made in the period	-	1,937	-	1,937
Unused amounts reversed in the period	(35)	(368)	(35)	(368)
Expenditure in the period	(3)	(152)	(3)	(152)
	1,904	1,942	1,904	1,942

25. Related party disclosures

a / Transactions with related parties

All trading with related parties, including and not limited to licence fees, rentals and other sundry charges, has been made on an arms-length commercial basis, without special privileges, except as noted below.

No guarantees have been given or received.

For the year ended 30 June 2014, the group has not made any allowance for impairment loss relating to amounts owed by related parties (2013: $nil).

Auckland International Airport Marae Ltd

Two of the Auckland International Airport Limited senior management team are on the board of Auckland International Airport Marae Limited. In the year ended 30 June 2014 maintenance and occupancy costs of $0.046 million were incurred in relation to the Marae (2013: $0.046 million). In addition, the group provided accounting and other advisory services to the Marae during the year ended 30 June 2014. No fees were paid for these services.

Brick Bay Charitable Trust

For the year ended 30 June 2014 the group completed the previously disclosed $0.444 million asset purchase and agreed to purchase additional assets for $0.092 million from Brick Bay Charitable Trust (which trades as Brick Bay Sculpture Trust) on an arms-length commercial basis without special privileges. Brick Bay Charitable Trust is a charitable trust and non-profit entity with revenue made by the trust used to assist New Zealand artists in meeting the expense of building outdoor art work. The trustees of the Brick Bay Charitable Trust are Richard Didsbury and his wife Christine Didsbury. Richard Didsbury is a director of Auckland International Airport Limited.

Other companies with common directorships

The company has transactions with other companies in which there are common directorships. All transactions with these entities have been entered into on an arms-length commercial basis, without special privileges, with the exception of the loans to Auckland Airport Limited, Auckland Airport Holdings (No. 2) Limited, and Auckland Airport Employee Share Purchase Plan, which are interest free (refer note 7).

North Queensland Airports

North Queensland Airports is an associate entity of the group. During the year ended 30 June 2014 Auckland Airport received directors' fees of $0.178 million (2013: $0.199 million) for the provision of two of Auckland Airport's senior management staff, who are each on one of the two boards of directors of North Queensland Airports. These directors apply their airport industry knowledge and skills, supported by the expertise of the other senior management of Auckland Airport, to protect and grow the value of the investment.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

25. Related party disclosures CONTINUED

The group receives dividends from North Queensland Airports (refer note 8).

Tainui Auckland Airport Hotel Limited Partnership

Tainui Auckland Airport Hotel Limited Partnership is an associate entity of the group. During the year ended 30 June 2014 the group received rental income of $0.985 million (2013: $0.805 million) and paid facilities hire fees of $0.047 million (2013: $0.029 million). Future minimum rentals receivable under the non-cancellable operating lease with the Tainui Auckland Airport Hotel Limited Partnership as at 30 June 2014 are $10.700 million (2013: $10.977 million). In addition to this two of Auckland Airport's senior management staff are directors on the board of the Tainui Auckland Airport Hotel 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.

The group receives repayment of partner contributions from Tainui Auckland Airport Hotel Limited Partnership (refer note 8).

Queenstown Airport

Queenstown Airport is an associate entity of the group. Auckland Airport, in accordance with the Strategic Alliance Agreement, provides the services of some of Auckland Airport's management staff to help protect and grow Auckland Airport's investment in Queenstown Airport. During the year ended 30 June 2014 the group received no remuneration for these services (2013: $nil).

The group receives dividends from Queenstown Airport (refer note 8).

Auckland Council

Auckland Council's shareholding of Auckland International Airport exceeds 20 percent and, as such, accounting standard NZ IAS 24 requires the transactions with Auckland Council to be treated as related party transactions. For the year ended 30 June 2014 rates of $7.596 million (2013: $7.190 million) and compliance, consent costs and other local government regulatory obligations of $0.613 million (2013: $0.646 million) were incurred. Auckland Airport also receives water, waste water and compliance services from Watercare, a 100 percent subsidiary of Auckland Council. In the year ended 30 June 2014 Watercare costs of $1.831 million (2013: $1.998 million) were incurred. Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council. In the year ended 30 June 2014 grounds maintenance costs of $1.644 million (2013: $1.873 million) were incurred.

Further, on 28 October 2010 Auckland Airport and Manukau City Council came to an agreement whereby Auckland Airport agrees to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for consideration of $4.092 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels. The same agreement also rationalised the road network within the airport with some roads to be transferred between the parties and some roads to be acquired by Auckland Airport for $3.109 million. These transactions are not complete as at 30 June 2014 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

b / Loans to related parties

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

c / Key personnel compensation

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Directors' fees	1,181	1,122	1,181	1,122
Senior management's salary and other short-term benefits	4,390	4,519	4,390	4,519
Senior management's share-based payment expense (refer note 26)	5,010	4,956	5,010	4,956
	10,581	10,597	10,581	10,597

26. Share-based payment plans

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

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Expense from cash-settled share-based payments (phantom option plan)	5,975	4,956	5,975	4,956
Total expense from share-based payment transactions	5,975	4,956	5,975	4,956

a / Employee share purchase plan

The company established the Auckland International Airport Limited Share Purchase Plan ('purchase plan') on 16 November 1999 to assist employees (but not directors) to become equity holders in the company. A Trust Deed dated 19 November 1999 governs the operation of the purchase plan.

The purchase plan is open to all full time and part time (those working more than 15 hours per week) employees at an offer date. Consideration payable for the shares is determined by the Board.

The most recent issue was made on 21 November 2013. The company advanced to the purchase plan all the monies necessary to purchase the shares under the purchase plan. The advances are repayable by way of deduction from the employees' regular remuneration. The terms of such loans are determined by the company. The amount payable by the purchase plan to the company at 30 June 2014 is $0.165 million (2013: $0.331 million). These advances are interest free.

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

The purchase plan's trustees as at 30 June 2014 are Phil Neutze, the company's manager – business intelligence, Justine Hollows, the company's legal counsel and Barbara Lucas, the company's payroll manager. The trustees are appointed and can be removed by the directors.

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

	2014 Shares	2013 Shares
Shares held on behalf of employees		
Opening balance	181,900	-
Shares issued during the year	18,500	189,600
Shares fully paid and allocated during the year	(2,700)	(900)
Shares forfeited during the year	(12,400)	(6,800)
Shares cancelled as part of capital return	(18,530)	-
Balance at end of year	166,770	181,900

On 21 November 2013, shares were issued at a price of $3.0009, being a 10 percent discount on the average market selling price over the 10 trading days ending on 9 October 2013. On 21 November 2012, shares were issued at a price of $2.3532, being a 10 percent discount on the average market selling price over the 10 trading days ending on 10 October 2012.

	2014 Shares	2013 Shares
Unallocated shares held by the plan		
Balance of unallocated shares from November 1999 share allocation	82,426	91,584
Balance of unallocated shares from May 2004 share allocation	49,104	54,560
Balance of unallocated shares from May 2009 share allocation	42,840	47,600
Balance of unallocated shares from November 2012 share allocation	16,650	6,800
Balance of unallocated shares from November 2013 share allocation	630	-
Total unallocated shares held by the plan	191,650	200,544
Shares held on behalf of employees	166,770	181,900
Total ordinary shares held at 30 June	358,420	382,444

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

26. Share-based payment plans CONTINUED

The shares for the November 1999 share allocation were acquired by the trustees at an average price of $2.93 each on 28 September 1999. The shares for the May 2004 share allocation were acquired by the trustees at $5.14 on 28 May 2004. The acquisition prices, after adjusting for a four-for-one share split completed in April 2005, are $0.73 and $1.29 respectively. The shares for the May 2009 share allocation were acquired by the trustees at $1.515 on 21 May 2009.

Shares held by the purchase plan represent 0.0300 percent (2013: 0.0289 percent) of the total company's shares on issue.

b / Phantom option plan

To align leadership remuneration to the interests of shareholders, the directors adopted a Phantom Option Plan ('phantom plan') approach for each calendar year from 2006 to 2013.

The phantom plans for the calendar years 2006 to 2008 involve the notional allocation of options at prevailing market rates to participating executives. The deemed exercise price is increased by the company's cost of equity each year, less dividends paid. Any benefit above the exercise price is payable in cash, less tax, three to six years after allocation.

The phantom plans for the calendar years 2009 to 2013 also involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options are three years from the date of issue. Once the phantom options become exercisable the phantom options remain exercisable for the next two years, subject to a total shareholder return hurdle being met. The total shareholder return hurdle requires shareholder returns to be greater than the compound independent calculation of the annual cost of equity plus 1 percent. If the vesting period and hurdle have been met, then the executive may exercise some or all of their options. The gross amount payable is the volume weighted average price of the shares over the previous 20 trading days less the initial share price for those phantom options on the day the phantom options were issued.

The current chief executive, Mr Adrian Littlewood, participated in each of the phantom option plans from 2009 to 2013 relating to his former role as general manager – retail and commercial and his current role as chief executive. Mr Littlewood has not participated in any other phantom option plans.

The participation in the calendar 2012 plan, as part of Mr Littlewood's remuneration package, included options applicable to Mr Littlewood's commencement as chief executive of Auckland Airport on 5 November 2012. The issue price for the calendar 2012 phantom option plan was $2.60 as at 31 August 2012. A total of 1,577,311 phantom options were issued to Mr Littlewood under the 2012 plan. Mr Littlewood's participation in the calendar 2013 plan was entirely in his capacity as chief executive. The issue price for the 2013 phantom option plan was $3.23 as at 22 August 2013. A total of 1,578,125 phantom options were issued to Mr Littlewood under the 2013 plan.

Under further historical option plans, the former chief executive, Mr Simon Moutter, was granted phantom options effective on 4 August 2008 and 25 August 2010. One tranche of the 1,000,000 options was exercised during the 2014 financial year. All other option plans for Mr Moutter have now lapsed. Mr Moutter did not participate in any other phantom option plan.

As at 30 June 2014 the estimate of the fair value of the cash-settled phantom plans for all the participating executives is $6.766 million (2013: $5.856 million).

An expense of $5.975 million (2013: $4.956 million) relating to the change in fair value or cash payments has been included in staff expenses in the income statement. Cash payments under the phantom plan were $5.065 million during the year ended 30 June 2014 (2013: $2.100 million).

To assist the estimate of the fair value of the liability of the phantom option plans, the company undertakes a valuation of the phantom options, as measured at the reporting date, using the Black-Scholes methodologies taking into account the terms and conditions upon which the instruments were granted. The expected life of each phantom option assumes that participants exercise the phantom option at the optimal time to maximise expected value. The company then applies judgement to this valuation to determine the estimate of fair value of the phantom option plans.

The following table lists the key inputs to the Black-Scholes methodology used for the years ended 30 June 2014 and 30 June 2013:

	Assumptions 2014	Assumptions 2013
Expected volatility (%)	17.90%	17.70%
Risk-free interest rate range (%)	3.79% – 3.98%	2.66% – 3.34%
Share price at measurement date ($)	$3.90	$2.97

Phantom options
As at 30 June 2014

Issue date	Date exercisable	Expiry date	Number granted	Number lapsed	Number exercised	Number at 30 June 2014	Number exercisable at 30 June 2014	Share price to meet hurdle rate at 30 June 2014
24/8/2007	24/8/2010	24/8/2013	1,592,928	1,592,928	-	-	-	N/A
4/8/2008	4/8/2011	4/8/2013	1,000,000	1,000,000	-	-	-	N/A
4/8/2008	4/8/2012	4/8/2014	1,000,000	-	1,000,000	-	-	N/A
31/8/2009	31/8/2012	31/8/2014	2,630,752	476,660	2,154,092	-	-	N/A
27/8/2010	27/8/2013	27/8/2015	2,628,381	390,791	2,237,590	-	-	N/A
24/8/2011	24/8/2014	24/8/2016	3,031,956	1,076,924	-	1,955,032	-	$2.68
31/8/2012	31/8/2015	31/8/2017	4,694,576	1,391,516	-	3,303,060	-	$2.88
22/8/2013	22/8/2016	22/8/2018	3,529,399	319,118	-	3,210,281	-	$3.43
			20,107,992	6,247,937	5,391,682	8,468,373	-	

As at 30 June 2013

Issue date	Date exercisable	Expiry date	Number granted	Number lapsed	Number exercised	Number at 30 June 2013	Number exercisable at 30 June 2013	Share price to meet hurdle rate at 30 June 2013
26/8/2006	26/8/2009	26/8/2012	2,593,825	2,593,825	-	-	-	N/A
24/8/2007	24/8/2010	24/8/2013	1,592,928	911,747	-	681,181	-	$4.92
4/8/2008	4/8/2011	4/8/2013	1,000,000	-	-	1,000,000	-	$3.19
4/8/2008	4/8/2012	4/8/2014	1,000,000	-	-	1,000,000	-	$3.19
4/8/2008	4/8/2013	4/8/2015	1,000,000	1,000,000	-	-	-	N/A
22/8/2008	22/8/2011	22/8/2014	3,247,079	1,417,438	1,829,641	-	-	N/A
31/8/2009	31/8/2012	31/8/2014	2,630,752	476,660	2,004,092	150,000	150,000	$2.10
25/8/2010	25/8/2013	25/8/2015	666,000	666,000	-	-	-	N/A
25/8/2010	25/8/2014	25/8/2016	666,000	666,000	-	-	-	N/A
25/8/2010	25/8/2015	25/8/2017	668,000	668,000	-	-	-	N/A
27/8/2010	27/8/2013	27/8/2015	2,628,381	390,791	-	2,237,590	-	$2.30
24/8/2011	24/8/2014	24/8/2016	3,031,956	-	-	3,031,956	-	$2.48
31/8/2012	31/8/2015	31/8/2017	4,694,576	254,546	-	4,440,030	-	$2.68
			25,419,497	9,045,007	3,833,733	12,540,757	150,000	

27. Events subsequent to balance date

On 26 August 2014, the directors approved the payment of a fully imputed final dividend of 7.0 cents per share amounting to $83.334 million to be paid on 17 October 2014.

On 19 August 2014, the directors of Queenstown Airport declared a dividend of $3.317 million. The group's share of the dividend is $0.829 million.

On 25 July 2014, the group priced USD 250.000 million of US Private Placement notes (USPP) on a 12 year term with a USD coupon rate of 3.61 percent. The facility will be drawn on 25 November 2014 with the proceeds being used to repay the $130.000 million bank facility and refinance the group's $125.000 million November bond maturity. The entire USD proceeds have been swapped back to New Zealand dollars, providing a New Zealand dollar principal of $294.707 million and 12 year funding at the New Zealand three month BKBM plus 1.255 percent.

Audit Report

Deloitte.

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

Report on the Financial Statements

We have audited the financial statements of Auckland International Airport Limited and group on pages 50 to 113, which comprise the consolidated and separate statements of financial position of Auckland International Airport Limited, as at 30 June 2014, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Our firm carries out other assignments for Auckland International Airport Limited in the areas of AGM vote scrutineer assistance, assurance reporting for regulatory purposes and assurance reporting for inclusion in a prospectus. In addition to this, subject to certain restrictions, partners and employees of our firm may deal with Auckland International Airport Limited on normal terms within the ordinary course of trading activities of the business of Auckland International Airport Limited. The firm has no other relationship with, or interest in, Auckland International Airport Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 50 to 113:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Auckland International Airport Limited and group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

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

Deloitte

Chartered Accountants
26 August 2014
Auckland, New Zealand

This audit report relates to the financial statements of Auckland International Airport Limited ('the Group') for the year ended 30 June 2014 included on the Group's website. Through management, the Board of Directors is responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 August 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five year summary

FOR THE YEAR ENDED 30 JUNE 2014

Group income statement	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Income					
Airfield income	87,607	81,573	77,299	72,529	66,715
Passenger services charge	131,552	120,242	83,081	78,760	73,252
Terminal services charge	-	-	28,604	28,342	27,814
Retail income	127,073	124,308	120,863	111,150	95,817
Rental income	59,260	55,407	54,974	49,927	48,533
Rates recoveries	4,626	4,180	4,390	4,313	2,982
Car park income	42,815	40,370	36,620	33,437	31,057
Interest income	2,002	2,823	1,570	1,460	1,678
Other income	20,879	19,555	19,412	17,805	15,265
Total income	475,814	448,458	426,813	397,723	363,113
Expenses					
Staff	42,502	39,953	34,326	32,607	31,574
Asset management, maintenance and airport operations	40,310	39,607	36,717	32,854	30,948
Rates and insurance	10,081	9,707	9,082	7,829	7,035
Marketing and promotions	13,750	14,138	12,207	11,751	4,544
Professional services and levies	6,806	7,491	7,517	7,929	6,369
Other expenses	7,197	6,728	7,675	6,524	6,332
Total expenses	120,646	117,624	107,524	99,494	86,802
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	355,168	330,834	319,289	298,229	276,311
Share of profit of associates	11,632	9,921	9,240	4,755	890
Share of loss of associate	-	-	-	-	(792)
Gain on sale of associates	-	-	-	1,240	-
Derivative fair value change	636	1,473	(2,148)	3,503	-
Property, plant and equipment revaluation	41,974	23,091	-	(63,465)	-
Investment property fair value increases/ (decreases)	4,060	-	1,350	21,640	9,469
Earnings before interest, taxation and depreciation (EBITDA)	413,470	365,319	327,731	265,902	285,878
Depreciation	63,541	62,053	64,483	56,843	55,736
Earnings before interest and taxation (EBIT)	349,929	303,266	263,248	209,059	230,142
Interest expense and other finance costs	68,171	66,689	68,958	70,417	71,938
Profit before taxation	281,758	236,577	194,290	138,642	158,204
Taxation expense	65,877	58,610	52,006	37,881	128,510
Profit after taxation	215,881	177,967	142,284	100,761	29,694

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

Group statement of comprehensive income	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Profit for the period	215,881	177,967	142,284	100,761	29,694
Other comprehensive income					
Items that will not be reclassified to income statement:					
Property, plant and equipment net revaluation movements	734,838	-	-	582,698	-
Tax on the property, plant and equipment revaluation reserve	-	(465)	472	(47,548)	7,862
Items that will not be reclassified to income statement	734,838	(465)	472	535,150	7,862
Items that may be reclassified subsequently to income statement:					
Cash flow hedges:					
Fair value gains/(losses) recognised in the cash flow hedge reserve	(3,073)	3,187	(19,716)	(16,198)	(15,323)
Realised (gains)/losses transferred to the income statement	8,708	8,764	11,466	13,733	20,812
Tax effect of movements in the cash flow hedge reserve	(1,578)	(3,346)	2,310	690	(2,172)
Total cash flow hedge movement:	4,057	8,605	(5,940)	(1,775)	3,317
Movement in share-based payments	-	-	-	7	11
Movement in share of reserves of associate	8,454	841	(9,668)	(481)	(1,202)
Movement in foreign currency translation reserve	(7,001)	(3,496)	(1,724)	6,102	(2,347)
Items that may be reclassified subsequently to income statement	5,510	5,950	(17,332)	3,853	(221)
Total other comprehensive income/(loss)	740,348	5,485	(16,860)	539,003	7,641
Total comprehensive income for the period, net of tax attributable to the owners of the parent	956,229	183,452	125,424	639,764	37,335

Group statement of changes in equity	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
At 1 July	2,499,507	2,472,767	2,467,531	1,913,634	1,841,147
Profit for the period	215,881	177,967	142,284	100,761	29,694
Other comprehensive income/(loss)	740,348	5,485	(16,860)	539,003	7,641
Total comprehensive income	956,229	183,452	125,424	639,764	37,335
Shares issued	6	2	11,043	25,141	138,507
Share buy-back	-	-	(10,883)	-	-
Capital return and share cancellation	(454,146)	-	-	-	-
Dividend paid	(82,661)	(156,714)	(120,348)	(111,008)	(103,355)
At 30 June	2,918,935	2,499,507	2,472,767	2,467,531	1,913,634

Group balance sheet	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Non-current assets					
Property, plant and equipment					
Freehold land	2,649,742	1,912,139	1,908,808	1,909,347	1,498,579
Buildings and services	498,957	504,706	514,373	518,325	535,617
Infrastructure	281,461	273,222	279,894	280,026	226,528
Runways, taxiways and aprons	298,273	308,654	300,271	307,141	251,027
Vehicles, plant and equipment	33,116	21,526	18,519	20,581	21,113
	3,761,549	3,020,247	3,021,865	3,035,420	2,532,864
Investment properties	733,393	635,902	579,783	546,232	490,131
Investment in associates	158,409	165,658	179,957	197,635	161,867
Derivative financial instruments	6,946	17,054	24,664	8,687	7,596
Other non-current assets	-	-	-	775	775
	4,660,297	3,838,861	3,806,269	3,788,749	3,193,233
Current assets					
Cash	41,369	69,153	42,842	46,146	36,052
Inventories	22	40	10	67	102
Prepayments	5,376	5,223	5,404	4,941	5,188
Accounts receivable	23,623	21,689	17,664	20,476	16,112
Dividend receivable	2,695	3,568	3,290	3,820	3,687
Held for sale investment in associate	-	-	-	-	6,782
Derivative financial instruments	537	18	54	2,011	902
	73,622	99,691	69,264	77,461	68,825
Total assets	4,733,919	3,938,552	3,875,533	3,866,210	3,262,058

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

Group balance sheet	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Shareholders' equity					
Issued and paid-up capital	332,343	348,848	348,846	338,386	313,245
Cancelled share reserve	(609,239)	(171,604)	(171,604)	(161,304)	(161,304)
Property, plant and equipment revaluation reserve	2,880,643	2,147,691	2,148,589	2,149,731	1,632,764
Share-based payments reserve	913	913	913	913	906
Cash flow hedge reserve	(13,952)	(18,009)	(26,614)	(20,674)	(18,899)
Share of reserves of associates	(2,056)	(10,510)	(11,351)	(1,683)	(1,202)
Foreign currency translation reserve	(8,466)	(1,465)	2,031	3,755	(2,347)
Retained earnings	338,749	203,643	181,957	158,407	150,471
	2,918,935	2,499,507	2,472,767	2,467,531	1,913,634
Non-current liabilities					
Term borrowings	1,126,824	1,010,236	926,930	652,640	885,218
Derivative financial instruments	33,083	21,733	31,627	41,146	25,802
Deferred tax liability	200,195	200,159	199,246	205,112	172,083
Other term liabilities	728	745	700	707	531
	1,360,830	1,232,873	1,158,503	899,605	1,083,634
Current liabilities					
Accounts payable	69,372	62,149	54,439	52,775	45,983
Taxation payable	2,751	10,372	6,160	10,277	8,709
Derivative financial instruments	7	-	1,339	2,784	2,751
Short-term borrowings	380,120	131,709	181,800	432,006	206,780
Provisions	1,904	1,942	525	1,232	567
	454,154	206,172	244,263	499,074	264,790
Total equity and liabilities	4,733,919	3,938,552	3,875,533	3,866,210	3,262,058

Group statement of cash flows	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	471,560	441,868	428,523	393,563	363,097
Income tax refunded	-	-	-	-	3,233
Interest received	2,131	2,823	1,570	1,460	1,678
	473,691	444,691	430,093	395,023	368,008
Cash was applied to:					
Payments to suppliers and employees	(116,136)	(111,852)	(105,753)	(99,890)	(87,423)
Income tax paid	(79,051)	(57,296)	(59,207)	(50,142)	(32,329)
Other taxes paid	(277)	(264)	(255)	(289)	(248)
Interest paid	(66,552)	(67,463)	(68,153)	(69,761)	(71,752)
	(262,016)	(236,875)	(233,368)	(220,082)	(191,752)
Net cash flow from operating activities	211,675	207,816	196,725	174,941	176,256
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets	-	-	-	30	2
Proceeds from sale of investment in associate	-	-	-	8,022	-
Dividends from associates	16,783	14,312	15,335	9,558	-
	16,783	14,312	15,335	17,610	2
Cash was applied to:					
Purchase of property, plant and equipment	(60,651)	(55,006)	(46,485)	(35,595)	(42,897)
Interest paid – capitalised	(3,219)	(2,248)	(1,822)	(1,197)	(2,102)
Expenditure on investment properties	(55,571)	(32,234)	(36,335)	(31,587)	(8,338)
Other investing activities	-	-	(1,027)	(31,511)	(170,797)
	(119,441)	(89,488)	(85,669)	(99,890)	(224,134)
Net cash applied to investing activities	(102,658)	(75,176)	(70,334)	(82,280)	(224,132)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	6	2	11,043	25,141	138,507
Increase in borrowings	450,000	175,383	552,493	128,300	348,456
	450,006	175,385	563,536	153,441	486,963
Cash was applied to:					
Capital return	(454,146)	-	-	-	-
Share buy-back	-	-	(10,883)	-	-
Decrease in borrowings	(50,000)	(125,000)	(562,000)	(125,000)	(334,000)
Dividends paid	(82,661)	(156,714)	(120,348)	(111,008)	(103,355)
	(586,807)	(281,714)	(693,231)	(236,008)	(437,355)
Net cash flow applied to financing activities	(136,801)	(106,329)	(129,695)	(82,567)	49,608
Net increase/(decrease) in cash held	(27,784)	26,311	(3,304)	10,094	1,732
Opening cash brought forward	69,153	42,842	46,146	36,052	34,320
Ending cash carried forward	41,369	69,153	42,842	46,146	36,052

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2014

Capital expenditure	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m
Aeronautical	33.3	51.2	25.5	14.6	12.3
Retail	6.1	0.9	2.3	10.4	24.3
Property development	54.1	37.1	49.3	46.2	11.9
Infrastructure and other	22.5	3.1	3.1	3.0	5.4
Car parking	5.5	1.1	2.9	0.6	0.4
Total	121.5	93.5	83.1	74.8	54.3

Passenger, aircraft and MCTOW	2014	2013	2012	2011	2010
Passenger movements					
International	8,150,396	7,755,678	7,769,207	7,392,045	7,415,792
Domestic	6,911,689	6,760,537	6,236,915	6,040,265	6,032,410
Aircraft movements					
International	45,809	44,314	45,094	43,782	42,697
Domestic	107,454	110,832	110,421	110,508	112,274
MCTOW (tonnes)					
International	4,339,266	4,104,679	4,167,792	4,007,728	3,923,988
Domestic	1,879,199	1,824,689	1,733,819	1,682,824	1,746,912

Corporate governance

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

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

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

Principle 1: Lay solid foundations for management and oversight

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

The Board's primary governance roles are:

- working with company management to ensure that the company's strategic goals are clearly established and communicated, and that strategies are in place to achieve them;
- monitoring management performance in strategy implementation;
- appointing the chief executive, reviewing his or her performance and, where necessary, terminating the chief executive's employment;
- approving the appointment of the corporate secretary;
- approving remuneration policies applicable to senior management;
- approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's obligations of continuous disclosure are met;
- ensuring that the company adheres to high ethical and corporate behaviour standards;
- ensuring there are procedures and systems in place to ensure the occupational health and safety of the company's employees;
- ensuring the company has measurable objectives in place for achieving diversity within the business;
- promoting a company culture and remuneration practice which facilitates the recruitment, professional development and retention of staff;
- setting specific limits on management's delegated authority for entry into new expenditure, contracts and acquisition of assets and approving commitments outside those limits; and
- ensuring that the company has appropriate risk management and regulatory compliance policies in place, and monitoring the appropriateness and implementation of those policies.

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

- audit and financial risk;
- human resources;
- nominations; and
- safety and operational risk.

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

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

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

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

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

The performance of all members of the senior management team was reviewed in the 2014 financial year in accordance with this process.

Corporate governance CONTINUED

Principle 2: Structure the Board to add value

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

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

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

As at the date of this annual report, the directors and the dates of their appointment, are:

Sir Henry van der Heyden KNZM, BE (Hons)	(Chair)	4 September 2009
Keith Turner BE (Hons), ME, PhD, FIEE, Dist.FIPENZ, MInstD*	(Deputy Chair)	21 April 2004
John Brabazon BCom, ACA, AFInstD, F FIN		20 November 2007
Richard Didsbury BE		20 November 2007
Brett Godfrey BCom, ACA		28 October 2010
Michelle Guthrie BA, LLB (Hons)		24 October 2013
James Miller BCom, FCA, AMInstD		4 September 2009
Justine Smyth BCom, CA		2 July 2012

* Dr Turner will step down from the Board in October 2014.

The chief executive is not a member of the Board.

A biography of each director of the company is set out on pages 26 and 27.

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

The table on page 124 shows a list of each director's Board committee memberships, the number of meetings of the Board and its committees held during the year, and the number of those meetings attended by each director.

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

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

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

The Board has established the nominations committee to focus on the selection of new directors, the induction of directors, and to develop a succession plan for Board members. The committee has a formal charter which can be found on the Company Website. The committee is required to comprise of a minimum of two independent non-executive directors and the chair of the committee is required to be an independent director. The current members are Sir Henry van der Heyden (chair), Keith Turner (deputy chair), John Brabazon, Richard Didsbury, Brett Godfrey, Michelle Guthrie, James Miller and Justine Smyth. Each member is independent. The committee members' qualifications are set out on pages 26 and 27 and attendance at meetings on page 124.

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

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

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

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

In addition, an independent review of directors and Board performance is conducted biannually. During the year, the Board engaged Propero Consulting Limited to conduct this review. This included each director undertaking reviews of all other directors, captured director and Board performance reviews from senior management and also gathered wider feedback from the market. Each director received a detailed analysis of feedback on themselves including development and training recommendations. The Board itself collectively discussed its own performance improvement.

Performance reviews were completed for all directors in the 2014 financial year in accordance with the above procedure.

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

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

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

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

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

Corporate governance CONTINUED

Name	Status	Board			Audit and Financial Risk			Human Resources			Nominations			Safety and Operational Risk			Ad Hoc Masterplanning			Ad Hoc Due Diligence		
		Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended
Joan Withers	Independent non-executive	✓	9	3[1]	✓	6	3[2]	✓	4	1[2]	✓	2	2	✓	3	–[2]	–	–	–	–	–	–
Sir Henry van der Heyden	Independent non-executive	✓	9	9	✓	6	3[2]	✓	4	4	✓	2	2	✓	3	2[2]	✓	2	2	✓	5	4
Keith Turner	Independent non-executive	✓	9	8	–	–	–	✓	4	4	✓	2	2	✓	3	3	✓	2	2	–	–	–
John Brabazon	Independent non-executive	✓	9	9	✓	6	6	–	–	–	✓	2	–[2]	–	–	–	✓	2	2	✓	5	5
Richard Didsbury	Independent non-executive	✓	9	9	✓	6	2[2]	–	–	–	✓	2	2	✓	3	3	✓	2	2	–	–	–
Brett Godfrey	Independent non-executive	✓	9	8	–	–	–	✓	4	3	✓	2	–[2]	✓	3	3	✓	2	1	–	–	–
Michelle Guthrie	Independent non-executive	✓	9	6[3]	–	–	–	–	–	–	✓	–	2	–	–	–	✓	2	2	–	–	–
James Miller	Independent non-executive	✓	9	9	✓	6	6	–	–	–	✓	2	–[2]	–	–	–	✓	2	2	✓	5	5
Justine Smyth	Independent non-executive	✓	9	9	✓	6	5	✓	4	3[2]	✓	2	–[2]	–	–	–	✓	2	1	–	–	–

[1] Mrs Withers retired from the Board on 24 October 2013.

[2] Director was not a member of this committee for the full year.

[3] Ms Guthrie was appointed to the Board on 24 October 2013.

Principle 3: Act ethically and responsibly

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

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

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

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

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

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

The company's procedure for reporting and dealing with any concerns in respect of the conduct of its directors, employees and contractors fully complies with the requirements of the Protected Disclosures Act 2000.

DIVERSITY

The company strongly values and supports diversity, ensuring that the company and its leadership, management and employees reflect the diverse range of individuals and groups within our society. The company is committed to embracing diversity in all its forms, be it gender identity, sexual orientation, age, ethnicity, disability, cultural background or religion. A copy of the diversity policy can be found on the Company Website.

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

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

As at 30 June 2014, two of the eight members of the Board were women (no change from the previous financial year) and one of the seven members of the senior management team were women (no change from the previous financial year). In addition, the Board hosts one participant in the 'Future Directors' scheme who is a woman. Women made up 31 percent of all permanent employees across the company (up from 30 percent in the previous financial year).

Principle 4: Safeguard integrity in corporate reporting

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

The committee must have a minimum of three members, all of whom must be non-executive directors, and the majority must be independent directors. The committee is chaired by an independent chair, who is not chair of the Board. The current members are James Miller (chair), John Brabazon, Richard Didsbury, Sir Henry van der Heyden and Justine Smyth, all of whom are independent non-executive directors. Their qualifications are set out on pages 26 and 27 and attendance at meetings on page 124.

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

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

Principle 5: Make timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of security holders

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

The chief executive and chief financial officer are appointed as the points of contact for analysts. The chair, chief executive and general manager corporate affairs are appointed as the points of contact for media.

The company currently keeps shareholders informed through:

- the annual report;
- the interim report;
- the annual meeting of shareholders;
- information provided to analysts during regular briefings;
- disclosure to the NZSX and ASX in accordance with the company's disclosure and communications policy; and
- the corporate section of the Company Website.

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

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

Corporate governance CONTINUED

Principle 7: Recognise and manage risk

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

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

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

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

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

The safety and operational risk committee is responsible for oversight of the company's safety and operational risk management programme. This committee's formal charter reflects this responsibility. The safety and operational risk committee's charter and the company's risk management policy can be found on the Company Website.

The committee oversees and makes recommendations to the Board on the safety (including health and safety), environmental and operational risk profile of the business and ensures that appropriate policies and procedures are adopted for the timely and accurate identification and reporting, and effective management of the significant risks.

It includes specific responsibility to review and monitor the application of the company's enterprise-wide processes for identifying and managing:

- health and safety matters;
- environmental issues;
- safety and operational risk; and
- compliance with applicable law and the company's own policies.

The committee must have a minimum of three members, all of whom must be non-executive directors, and the majority must be independent directors. The committee is chaired by an independent chair, who is not chair of the Board. The current members are Keith Turner (chair), Richard Didsbury, Brett Godfrey and Sir Henry van der Heyden, all of whom are independent non-executive directors. Their qualifications are set out on pages 26 and 27 and attendance at meetings on page 124.

The audit and financial risk committee continues to be delegated responsibility for oversight of financial risk. Further details of the role of this committee are set out at Principle 4 above.

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

- a significant number of relevant exercises tailored to test procedures and plans have been conducted;
- crisis management process and plans continue to be updated and refined; and
- the Board and management have reviewed and refined the Board's approach to risk in the conduct of the business.

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

The company's aeronautical business is also subject to other internal and external audit and review, including in particular the regular external audit by New Zealand's Civil Aviation Authority to ensure operational certification.

Principle 8: Remunerate fairly and responsibly

The Board's human resources committee has a formal charter, and all of its members are non-executive directors. Human resources committee members are Keith Turner (chair), Brett Godfrey, Sir Henry van der Heyden and Justine Smyth. Each member is independent. The committee's charter can be found on the Company Website. The committee members' attendance at meetings is set out on page 124.

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

DIRECTORS

Non-executive directors receive fees determined by the Board on the recommendation of the human resources committee. Those fees must be within the aggregate amount per annum approved by shareholders. Shareholders approved a total pool of $1,368,556 at the company's annual meeting on 24 October 2013, an increase of $42,436 (3.25 percent) from the previously approved pool. The directors have also decided that they each will use 15 percent of the fees actually payable to them to acquire shares in the company. In order to do this the directors have entered into a share purchase plan agreement and appointed First NZ Capital to be the manager of the plan. The manager of the plan acquires the shares required for the purposes of the plan on behalf of directors over the 20 business days commencing two days after the company's half-year and full-year results announcements. Directors will remain in the plan until one year after retirement from the Board.

Each year, the human resources committee reviews the level of directors' remuneration. The committee considers the skills, performance, experience and level of responsibility of directors when undertaking the review, and is authorised to obtain independent advice on market conditions. After taking external advice, the committee makes recommendations on the appropriate levels of remuneration to the Board for submission to shareholders for approval. This year the Board is recommending to shareholders that shareholders increase the total pool available for directors' remuneration by 4.0 percent (from $1,368,556 to $1,423,298).

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

REMUNERATION OF DIRECTORS

Name	Director's fee
Sir Henry van der Heyden	$193,112.60
Joan Withers	$69,465.75
Keith Turner	$158,805.50
John Brabazon	$129,802.30
Richard Didsbury	$126,371.40
Brett Godfrey	$121,866.83
Michelle Guthrie	$73,242.31
James Miller	$154,121.10
Justine Smyth	$136,628.60

The above remuneration amounts include the amounts applied by the company to share purchases on behalf of the directors in accordance with the share purchase plan outlined above.

MANAGEMENT

The company's remuneration policy is to ensure that:

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

The annual remuneration review process requires what the company calls, 'one over one' approval. That is, the approval of the Board of directors is required for the implementation of changes to the chief executive's remuneration, as recommended by the human resources committee. Likewise, the approval of the human resources committee of the Board is required for the implementation of recommendations from the chief executive in relation to the remuneration of the leadership team and the aggregate increment applying to all other employees.

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

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

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

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

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

The short-term component of the performance incentive is an at risk component in addition to base salary and is payable in cash. The chief executive's risk element under the short-term performance incentive is equivalent to 40 percent of base salary and the leadership team's is typically equivalent to 30 percent, but can be up to 35 percent, of base salary. The remainder of the senior managers participating in the short-term incentive typically have an amount of 20 percent of their base salary at risk on the same basis. The total number of staff included in the short-term incentive scheme is 36.

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

The company provides long-term performance incentives in the form of long-term, cash-based ('phantom') incentive plans. The phantom plans for the calendar years 2006 to 2008 involve

Corporate governance CONTINUED

the notional allocation of options at prevailing market rates to participating executives. The deemed exercise price is increased by the company's cost of equity each year, less dividends paid. Any benefit above the exercise price is payable in cash, less tax, three to six years after allocation.

The phantom plans for the calendar years 2009 to 2013 also involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options are three years from the date of issue. Once the phantom options become exercisable the phantom options remain exercisable for the next two years, subject to a total shareholder return hurdle being met. The total shareholder return hurdle requires shareholder returns to be greater than the compound independent calculation of the annual cost of equity plus one percent. If the vesting period and hurdle have been met then the executive may exercise some or all of their options. The after tax benefit payable is the volume weighted average price of the shares over the 20 trading days prior to an executive direction less the initial share price for those phantom options on the day the phantom options were issued.

The current chief executive, Mr Adrian Littlewood, participated in each of the phantom option plans from 2009 to 2013 relating to both his former role as general manager – retail and commercial and his current role as chief executive. Mr Littlewood has not participated in any other phantom option plans.

The participation in the calendar 2012 plan, as part of Mr Littlewood's remuneration package, included options applicable to Mr Littlewood's commencement as chief executive with Auckland Airport on 5 November 2012. The issue price for this calendar 2012 phantom option plan was $2.60 as at 31 August 2012. A total of 1,577,311 phantom options were issued to Mr Littlewood under the 2012 plan. Mr Littlewood's participation in the calendar 2013 plan was entirely in his capacity as chief executive. The issue price for the 2013 phantom option plan was $3.23 as at 22 August 2013. A total of 1,578,125 phantom options were issued to Mr Littlewood under the 2013 plan.

Under further historical option plans, the former chief executive, Mr Simon Moutter, was granted phantom options effective on 4 August 2008 and 25 August 2010. One tranche of the 1,000,000 options was exercised during the 2014 financial year. All other option plans for Mr Moutter have now lapsed. Mr Moutter did not participate in any other phantom option plan.

As at 30 June 2014 the estimate of the fair value of the cash-settled phantom plans for all the participating executives is $6.766 million (2013: $5.856 million).

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

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

The company also has run an employee share plan in the past and intends to in the future. Pursuant to this plan 18,500 shares were issued to 27 eligible employees on 21 November 2013. Payments for shares by participating staff are made by way of salary or wage deduction over a period of three years commencing from the issue date. A full description of the employee share plan is set out in note 26 of the notes to the financial statements.

At its meeting in August 2014 the Board resolved to conduct another employee share plan on substantially the same basis as that commenced in 2013.

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

Total remuneration packages for all employees in excess of $100,000 are disclosed by band on page 130 of this report.

The total remuneration paid to the chief executive in the 2014 financial year was $1,596,973.

COMPLIANCE

The company complies with all of the requirements of the ASX Principles (including the revised ASX Corporate Governance Council Principles and Recommendations (3rd Edition)) and the NZX Code as at the date of this annual report.

Shareholder information

REPORTING ENTITY

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

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

STOCK EXCHANGE LISTINGS

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

The company did not undertake an on-market share buy-back during the year ended 30 June 2014. The company is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers).

WAIVERS GRANTED BY THE NZX

The company was issued with waivers of Listing Rule 5.2.3 by NZX on 1 May 2014 in respect of the company's May 2014 issue of $150 million of unsecured, unsubordinated fixed rate bonds (AIA130 Bonds). The company also has a waiver of List Rule 5.2.3 in respect of its $100 million of unsecured, unsubordinated fixed rate bonds issued December 2012 (AIA120 Bonds).

Listing Rule 5.2.3 provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 500 members of the public, holding at least 25 percent of the number of securities in the class issued, with each member holding at least a minimum holding. The waivers in respect of the AIA120 and AIA130 Bonds have been granted for a period of one year from 14 December 2013 and 29 May 2014 respectively. The effect of the waiver from Listing Rule 5.2.3 is that each relevant tranche of bonds may not be widely held and there may be reduced liquidity in those bonds.

The company also has the following waivers in respect of the AIA130 Bonds, being waivers of:

- the requirement in Listing Rule 7.1.5(c) that the terms sheet must contain, in its subscription application, a field for subscribers to insert their CSN number, given there was no subscription application form for the offer;
- Listing Rule 7.1.13 such that the terms sheet was not required to contain certain statements in relation to the refund of any subscription monies to applicants for the Bonds to whom allotments were not made. Such statements were not applicable in respect of the offer as investors were to purchase the Bonds on the secondary market through their brokers; and
- Listing Rule 11.1.1, which restricts an issuer of securities from imposing any restriction on the right of a holder of a quoted security to transfer that security, or any restriction upon registration of a properly completed transfer of quoted securities. The effect of the waiver from Listing Rule 11.1.1 is that the minimum holding amount in respect of the AIA130 Bonds will be bonds with an aggregate principal amount of not less than NZD 10,000 and multiples of $1,000 over the minimum holding amount. The company may refuse a transfer if the transfer is not in multiples of $1,000.

DISCIPLINARY ACTION TAKEN BY THE NZSX, ASX OR THE FINANCIAL MARKETS AUTHORITY (FMA)

None of the NZSX, the ASX or the FMA has taken any disciplinary action against the company during the financial year ending 30 June 2014.

REGULATORY ENVIRONMENT

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

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

AUDITORS

Deloitte has continued to act as auditors of the company, and has undertaken the audit of the financial statements for the 30 June 2014 year.

INDEMNITY AND INSURANCE

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

ENTRIES RECORDED IN THE INTERESTS REGISTER

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

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated a total of $36,991 to various charities during the year. The company also made other community contributions in the amount of $443,048. The company's subsidiaries did not make any donations during the year.

EARNINGS PER SHARE

Earnings in cents per ordinary share were 16.68 cents in 2014 compared with 13.46 cents in 2013.

CREDIT RATING

As at 14 August 2014, the Standard & Poor's long-term debt rating for the company was A- Stable Outlook and the short-term debt rating was A-2.

SUBSIDIARY COMPANY DIRECTORS

Simon Robertson and Paul Divers held office as directors of Auckland Airport Limited as at 30 June 2014.

Simon Robertson and Charles Spillane held office as directors of Auckland Airport Holdings Limited and Auckland Airport Holdings (No. 2) Limited as at 30 June 2014.

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

Shareholder information CONTINUED

ANNUAL MEETING OF SHAREHOLDERS

The company's annual meeting of shareholders will be held at the Genesis Theatre, Vodafone Events Centre, 770-834 Great South Road, Manukau, on 23 October 2014 at 2.00pm.

DIRECTORS' HOLDINGS AND DISCLOSURE OF INTERESTS

Directors held interests in the following shares in the company as at 30 June 2014:

Sir Henry van der Heyden	Held personally	10,746
Keith Turner	Held personally	11,030
John Brabazon	Held personally	9,561
Richard Didsbury	Held personally	9,569
	Held by Associated Persons	3,945
Brett Godfrey	Held personally	8,883
Michelle Guthrie	Held personally	1,053
James Miller	Held personally	21,994
Justine Smyth	Held personally	98,606

DISCLOSURE OF INTERESTS BY DIRECTORS

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

Joan Withers (Retired 24 October 2013)
Chair, Mighty River Power Limited
Deputy Chair, Television New Zealand Limited
Board Member, New Zealand Treasury Advisory Board
Trustee, The Tindall Foundation
Trustee, Louise Perkins Foundation
Trustee, Pure Advantage
Director, ANZ New Zealand Limited

Sir Henry van der Heyden
Chair, Tainui Group Holdings Limited
Chair, Manuka SA
Director, Pascaro Investments Limited
Director, Rabobank Australia
Director, Rabobank New Zealand Limited
Director, Foodstuffs North Island Limited

Keith Turner
Director, Chorus Limited
Chair, Fisher & Paykel Appliances Holdings Limited
Chair, Team New Zealand Limited
Chair, Keith Turner & Associates
Director, Spark Infrastructure Pty Limited

John Brabazon
Director, Clavell Capital Limited
Governing Member, Round Mountain Oil LLC
Director, Brabazon Petroleum Limited
Director, Dairy Farms NZ Ltd

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

Brett Godfrey
Director, Westjet Airlines Limited
Director, Tourism Australia

Michelle Guthrie
Director, Modern Times Group (Sweden)
Director, Pacific Star Network (Melbourne)
Director, Plan International (Hong Kong)

James Miller
Director, Mighty River Power Limited
Deputy Chair, NZX Limited
Director, New Zealand Clearing and Depository Corporation Limited (a subsidiary of NZX Limited)
Director, Accident Compensation Corporation
Board Member, Financial Markets Authority

Justine Smyth
Director, Spark New Zealand Limited
Board Member, Financial Markets Authority
Director, Lingerie Brands Limited
Chair, New Zealand Breast Cancer Foundation

REMUNERATION OF EMPLOYEES

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

Amount of remuneration	Employees
$100,001 to $110,000	38
$110,001 to $120,000	20
$120,001 to $130,000	14
$130,001 to $140,000	7
$140,001 to $150,000	5
$150,001 to $160,000	5
$160,001 to $170,000	5
$170,001 to $180,000	1
$180,001 to $190,000	4
$190,001 to $200,000	5
$200,001 to $210,000	5
$210,001 to $220,000	1
$230,001 to $240,000	3
$240,001 to $250,000	1
$250,001 to $260,000	1
$810,001 to $820,000	1
$870,001 to $880,000	1
$1,050,001 to $1,060,000	1
$1,190,001 to $1,200,000	1
$1,460,001 to $1,470,000	1
$1,590,001 to $1,600,000	1
$1,690,001 to $1,700,000	1

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

The company has long-term incentives in place for senior executives for 2007, 2008, 2009, 2010, 2011, 2012 and 2013 (refer to note 26 in the financial statements); at balance date the value of these incentives was $6.766 million.

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

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDERS

AS AT 14 AUGUST 2014

Size of holding	Number of shareholders	%	Number of shares	%
1 – 1,000	4,641	9.40	2,631,013	0.22
1,001 – 5,000	32,157	65.14	66,503,356	5.59
5,001 – 10,000	6,168	12.50	44,533,096	3.74
10,001 – 50,000	5,689	11.52	110,607,166	9.29
50,001 – 100,000	457	0.93	31,238,349	2.62
100,001 and over	251	0.51	934,971,117	78.54
Total	**49,363**		**1,190,484,097**	

SUBSTANTIAL SECURITY HOLDERS

Pursuant to section 26 of the Securities Markets Act 1988, the following persons had given notice as at 14 August 2014 that they were substantial security holders in the company and held a 'relevant interest' in the number of ordinary shares shown below:

Substantial security holder	Number of shares in which 'relevant interest' is held	Date of notice
Auckland Council Investments Limited (through its wholly-owned subsidiaries, Airport Shares (Auckland) Limited and Airport Shares (Manukau) Limited)	295,921,014	04.11.10
Airport Shares (Auckland) Limited	165,501,630	04.11.10
Airport Shares (Manukau) Limited	116,712,656	21.09.05

The total number of voting securities on issue as at 14 August 2014 was 1,190,484,097.

Shareholder information CONTINUED

20 LARGEST SHAREHOLDERS

AS AT 14 AUGUST 2014

Shareholder	Number of shares	% of capital
New Zealand Central Securities Depository Limited[1]	479,927,898	40.31
Airport Shares (Auckland) Limited	148,951,467	12.51
Airport Shares (Manukau) Limited	117,377,445	9.86
Custodial Services Limited	25,390,309	2.13
National Nominees Limited	15,090,520	1.27
FNZ Custodians Limited	11,811,911	0.99
Custodial Services Limited	9,916,991	0.83
JP Morgan Nominees Australia Limited	9,034,030	0.76
Custodial Services Limited	7,143,486	0.60
HSBC Custody Nominees (Australia) Limited	6,597,365	0.55
Custodial Services Limited	6,454,806	0.54
Investment Custodial Services Limited	5,675,929	0.48
FNZ Custodians Limited	5,040,994	0.42
Forsyth Bar Custodians Limited	4,730,867	0.40
Custodial Services Limited	3,930,242	0.33
Masfen Securities Limited	3,594,127	0.30
New Zealand Depository Nominee Limited	3,216,338	0.27
Custodial Services Limited	2,789,874	0.23
UBS Nominees Pty Limited	2,336,976	0.20
Forsyth Bar Custodians Limited	2,235,386	0.19

[1] New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 14 August 2014, the 10 largest shareholdings in the company held through NZCSD were:

Shareholder	Number of shares	% of capital
HSBC Nominees (New Zealand) Limited	102,700,769	8.63
JPMorgan Chase Bank	85,609,183	7.19
HSBC Nominees (New Zealand) Limited	67,340,247	5.66
National Nominees New Zealand Limited	55,413,329	4.65
Citibank Nominees (NZ) Limited	50,788,409	4.27
Accident Compensation Corporation	31,304,964	2.63
Cogent Nominees Limited	20,821,793	1.75
New Zealand Superannuation Fund Nominees Limited	20,494,842	1.72
Tea Custodians Limited	11,321,130	0.95
Private Nominees Limited	10,370,151	0.87

Investor information

COMPANY PUBLICATIONS

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

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

Please note that the annual meeting will be held at 2.00pm on 23 October 2014 at the Vodafone Events Centre, Manukau.

VOTING RIGHTS

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

ENQUIRIES

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

STOCK EXCHANGE

The company's ordinary shares trade on the NZSX and the ASX. The minimum marketable parcel on the NZSX is 100 shares and in Australia a 'marketable parcel' is a parcel of securities of more than AUD 500. As at 15 August 2014, 41 shareholders on the ASX and 252 shareholders on the NZSX held fewer securities than a marketable parcel under the Listing Rules of the ASX.

DIVIDENDS

Shareholders may elect to have their dividends direct credited to their bank account. The company also offers shareholders the opportunity to participate in a dividend reinvestment plan. Details of this plan are available in the 'Investors' section of the Company Website.

LIMITATIONS ON THE ACQUISITION OF THE COMPANY'S SECURITIES

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

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

Share Registrars

NEW ZEALAND

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010
PO Box 91976
Auckland 1142

Phone: +64 9 375 5998
Fax: +64 9 375 5900

AUSTRALIA

Link Market Services Limited
Level 12
680 George Street
Sydney
NSW 2000
Locked Bag A14
Sydney South
NSW 1235

Phone: +61 2 8280 7111
Fax: +61 2 9287 0303

Corporate directory

DIRECTORS

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

SENIOR MANAGEMENT

Adrian Littlewood, chief executive
Simon Robertson, chief financial officer
Richard Barker, general manager retail and commercial
Jason Delamore, general manager marketing
Graham Matthews, general manager airport development and delivery
Judy Nicholl, general manager aeronautical operations
Charles Spillane, general manager corporate affairs and acting general manager aeronautical commercial
Mark Thomson, general manager property

REGISTERED OFFICE NEW ZEALAND

4 Leonard Isitt Drive
Auckland Airport Business District
Manukau 2022
New Zealand

Phone: +64 9 275 0789
Freephone: 0800 Airport (0800 247 7678)
Facsimile: +64 9 275 4927
Email: corporate@aucklandairport.co.nz
Website: www.aucklandairport.co.nz

REGISTERED OFFICE AUSTRALIA

c/o KPMG
147 Collins Street
Melbourne
Victoria 3000
Australia

Phone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
Website: www.kpmg.com.au

MAILING ADDRESS

Auckland International Airport Limited
PO Box 73020
Auckland Airport
Manukau 2150
New Zealand

CORPORATE SECRETARY

Charles Spillane

AUDITORS

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

This Annual Report is dated 26 August 2014 and is signed on behalf of the Board by:

Sir Henry van der Heyden
Chair of the Board

Keith Turner
Deputy Chair

Annual Results 2014

Auckland International Airport Limited

26 August 2014

For our future

Auckland Airport

This annual results presentation dated 26 August 2014 provides additional comment on the media and financial materials released before the market opened on the same date. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that release.

Summary

FY14 annual results

Adrian Littlewood, chief executive

Auckland Airport

Delivering performance today

Passenger movements

UP 3.8% **15.1m**

international 7.7m 5.1% | international transits 0.5m 5.5%
domestic 6.9m 2.2%

Total profit

UP 21.3% **$215.9m**

Revenue

UP 6.1% **$475.8m**

Underlying profit

UP 10.5% **$169.9m**

Operating EBITDAFI

UP 7.4% **$355.2m**

Final dividend per share

UP 12% **7 cents**

Positioning for our future

Auckland Airport

Grow travel markets

- A very good year for the addition of new services, charters and capacity: Air New Zealand, Emirates, Jetstar, LAN, China Southern, Malaysia, Qantas (Perth), China Airlines and China Eastern.
- These far outweighed areas of reduced capacity in FY14: Korean Air and Thai Airways.
- Solid domestic growth flowing from international growth, Air New Zealand's up gauge of aircraft and Jetstar's leading on-time performance results.

- Continue our role to lead industry ambition to grow travel, trade and tourism:
  - Asia Summit to share knowledge of key Asian markets.
  - Ambition 2025 to share our market insights, trends and opportunities on how New Zealand could target over 5 million potential visitors by 2025.
  - TripGuide proven as an effective promotional asset (www.tripguide.co.nz).

Positioning for our future

Strengthen our consumer business

- FY14 sales on core trans-Tasman routes affected by AUD/NZD movement and tail end of tobacco display changes. Total passenger spend rates declined 2.4%. Spend rates in Asian growth markets strong at +10%.
- Inbound tobacco allowances will reduce to 50 sticks in FY15. No change to outbound allowances.
- Significant work in year on portfolio review and planning for new concessions from FY15.
- Provided more choice for consumers with new and “pop-up” international retail stores: Comvita, The Whisky Trail, Shaky Isles café, Beats by Dr Dre, Samsung, Marc Jacobs and Mr Vintage.
- High quality duty free tender process underway. Early level of interest has been strong.
- Auckland Airport website launch of online duty free channel in June 2014.
- Investment in wider consumer business by adding 50% capacity at the ibis budget hotel and 1,000 additional parking spaces at Park&Ride.

Positioning for our future

Auckland Airport

Be fast, efficient and effective

- Focus on cost efficiency led to a 1.1% drop in operating costs per passenger.
- Progress made on goal of stronger airport collaborative decision making with building of platform for new airport operating system.
- Joint aviation stakeholder programme identified airfield capacity enhancements – delivery in FY15.
- Launched new sustainability initiatives plus targets across 11 key areas to drive energy and fuel efficiency.
- NZ Customs expanded SmartGate to UK/US citizens driving further improvements in processing efficiency.
- SMART Approaches flight path trial concluded and community feedback sought.
- Completed $454 million capital return to shareholders including the associated long-term debt financing.

Positioning for our future

Invest for future growth

Aeronautical

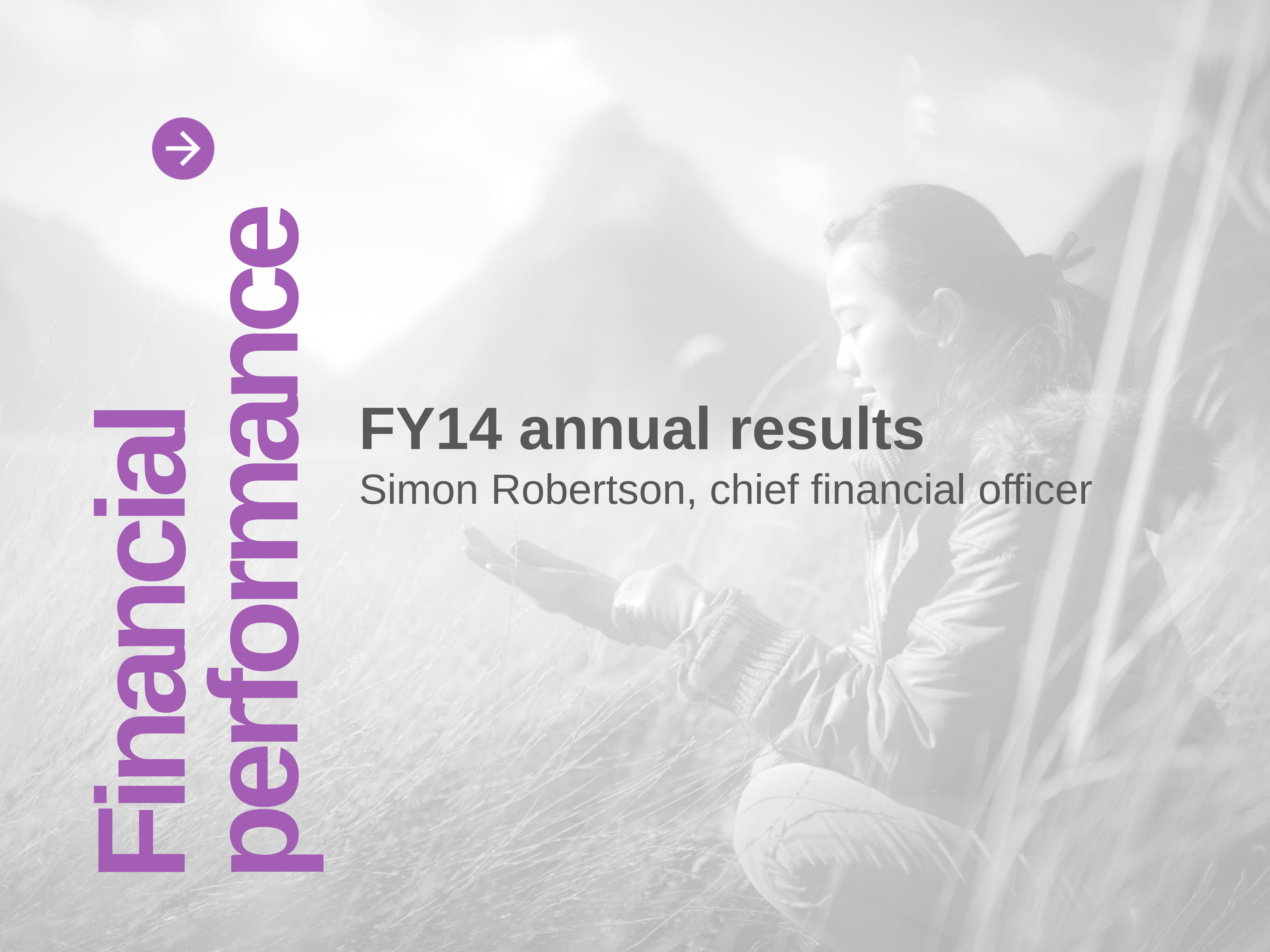
- Announced 30-year vision for the ‘airport of the future’. A culmination of two years of strategic planning.
- Completed $29 million upgrade of the existing domestic terminal. Passenger feedback is positive.

Investment property

- Quad 5 tenancies: Harrison Grierson, Specsavers, BASF and Meridian Energy.
- DHL, Panalpina and Hobbs added to the property portfolio as well as an expanded shopping centre.
- Transformation projects completed to enhance tenant amenity: Outdoor Gallery, Footy Field and Runway Mountain Bike Park.

Airport investments

- Queenstown Airport international passenger growth outstanding and outlook strong with safety case for after dark flights established. Flights anticipated from mid-2016.
- NQA financial growth continued in FY14. Positive outlook with MacKay Airport hotel underway and proposed AQUIS development, just north of Cairns, adding significant passenger growth potential.



Financial performance

FY14 annual results

Simon Robertson, chief financial officer

Great financial outcome

Auckland Airport

Full year financial results

	12 months to 30 June 2014 $m	12 months to 30 June 2013 $m	Change %
Revenue	475.814	448.458	6.1
Expenses	(120.646)	(117.624)	2.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**355.168**	**330.834**	**7.4**
Share of profit from associates	11.632	9.921	17.2
Derivative fair value increase	0.636	1.473	(56.8)
Investment property revaluation	41.974	23.091	81.8
Property, plant and equipment revaluation	4.060	-	-
Depreciation expense	(63.541)	(62.053)	2.4
Interest expense	(68.171)	(66.689)	2.2
Taxation expense	(65.877)	(58.610)	12.4
Reported net profit after tax	**215.881**	**177.967**	**21.3**
Underlying profit after tax[1]	**169.877**	**153.781**	**10.5**

[1] A reconciliation showing the difference between reported net profit after tax and underlying profit after tax is included on the following slide.

Healthy underlying trend

Underlying profit

	Reported earnings $000	Adjustments $000	2014 Underlying earnings $000	Reported earnings $000	Adjustments $000	2013 Underlying earnings $000
EBITDAFI	355,168	-	355,168	330,834	-	330,834
Share of profit from associates	11,632	(2,938)	8,694	9,921	(1,899)	8,022
Derivative fair value increases	636	(636)	-	1,473	(1,473)	-
Investment property revaluation	41,974	(41,974)	-	23,091	(23,091)	-
Property, plant and equipment revaluation	4,060	(4,060)	-	-	-	-
Depreciation	(63,541)	-	(63,541)	(62.053)	-	(62,053)
Interest expense and other finance costs	(68,171)	-	(68,171)	(66,689)	-	(66,689)
Taxation expense	(65,877)	3,604	(62,273)	(58,610)	2,277	(56,333)
Profit after tax	**215,881**	**(46,004)**	**169,877**	**177,967**	**(24,186)**	**153,781**

- We have made the following adjustments to show underlying profit after tax for the 12-month periods ended 30 June 2014 and 30 June 2013: We have reversed out the impact of revaluations of investment property in 2014 and 2013. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring performance. Changes between years can be volatile and will consequently 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 adjusted the revaluation of the land class of assets within property, plant and equipment. The fair value changes in property, plant and equipment are less frequent than investment property revaluations also making comparisons between years difficult. The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted or where the counterparty credit risk on derivatives impact accounting hedging relationships. These gains or losses, like investment property, are unrealised and are expected to reverse out over the lives of the derivatives. To be consistent we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2014 and 2013. We also allow for the taxation impacts of the above adjustments in both the 2014 and 2013 financial years.

Broad international passenger growth

Auckland Airport

Auckland Airport passenger movements

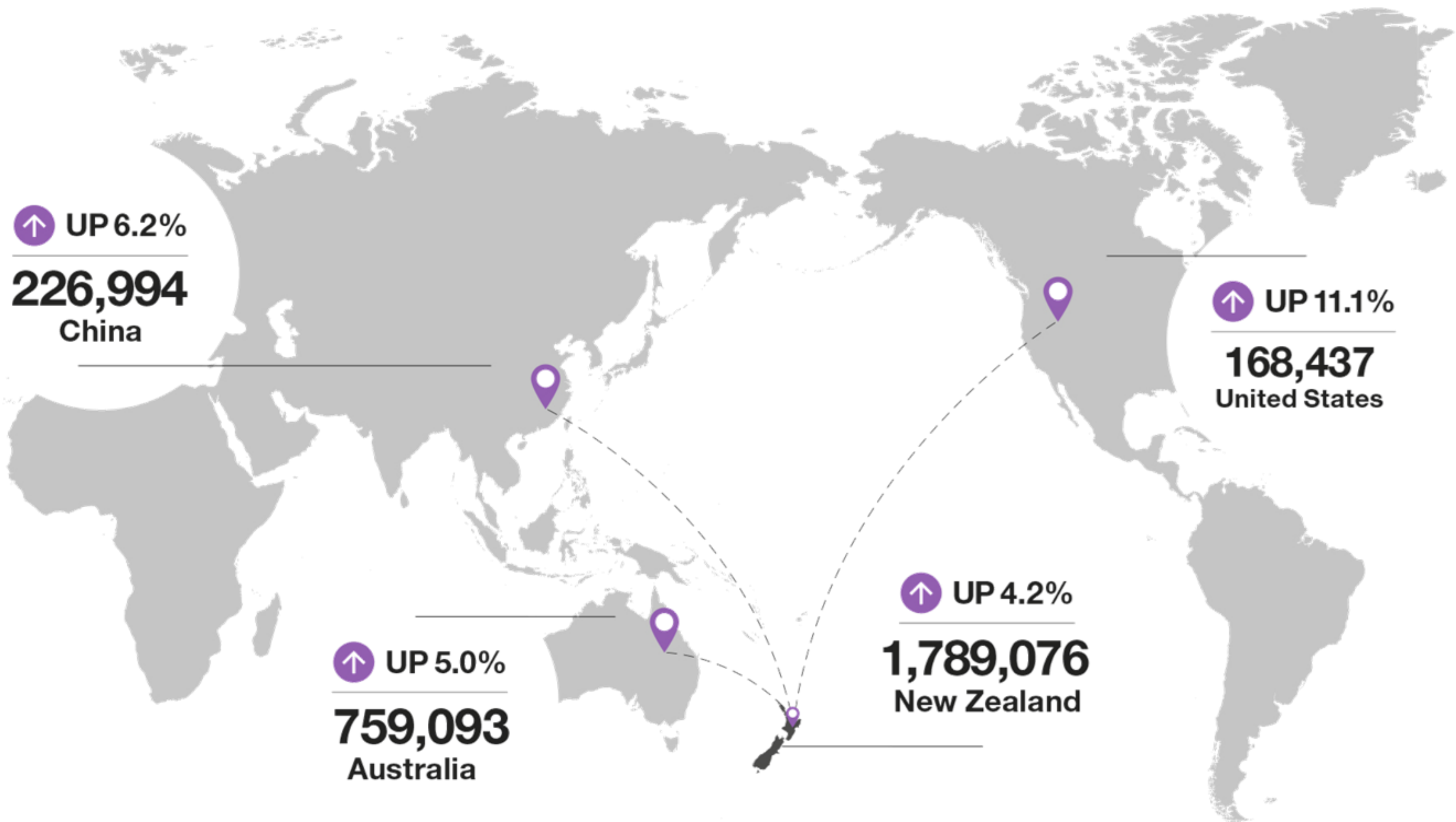
	12 months to 30 June 2014	12 months to 30 June 2013	Change %
International arrivals	3,847,132	3,664,376	5.0
International departures	3,840,704	3,652,948	5.1
International passengers excluding transits	**7,687,836**	**7,317,324**	**5.1**
Transit passengers	462,560	437,354	5.5
Total international passenger movements	**8,150,396**	**7,755,678**	**5.1**
Domestic passengers	**6,911,689**	**6,760,537**	**2.2**
Total passenger movements	**15,062,085**	**14,516,215**	**3.8**

- Momentum has eased so far in the new financial year. International passenger growth (excluding transits) has been 1.1% up to 17 August 2014.
- Schedule for the summer period is promising with plans for further capacity to be added.

Broad international passenger growth

Auckland Airport

Top 4 arrivals into Auckland Airport by country of last permanent residence – 2014



Larger domestic aircraft + more international frequency

Aircraft movements and MCTOW

	12 months to 30 June 2014	12 months to 30 June 2013	Change %
Aircraft movements			
International departures	45,809	44,315	3.4
Domestic aircraft movements	107,454	110,832	(3.0)
Total aircraft movements	**153,263**	**155,146**	**(1.2)**
MCTOW (tonnes)			
International MCTOW	4,339,266	4,104,679	5.7
Domestic MCTOW	1,879,199	1,824,689	3.0
Total MCTOW	**6,218,465**	**5,929,368**	**4.9**

- International MCTOW growth is a combination of more frequency (eg: Air New Zealand increase in services to North America and Shanghai) and larger aircraft (eg: Emirates using an A380 on Brisbane replacing a 777).
- Domestic MCTOW growth is predominantly Air New Zealand using larger aircraft on jet routes (A320s replacing 737s) and on regional routes (Q300s and ATRs replacing Dash 8s and Beech 1900s).

International passenger growth leads to revenue growth

Auckland Airport

Revenue

	12 months to 30 June 2014 $m	12 months to 30 June 2013 $m	Change %
Airfield income	87.607	81.573	7.4
Passenger services charges (PSC)	131.552	120.242	9.4
Retail income	127.073	124.308	2.2
Car park income	42.815	40.370	6.1
Rental income	59.260	55.407	7.0
Rates recoveries	4.626	4.180	10.7
Interest income	2.002	2.823	(29.1)
Other income	20.879	19.555	6.8
Total revenue	**475.814**	**448.458**	**6.1**

- Strong passenger and MCTOW growth and the completion of the graduated introduction of the PSC for passengers between 2 and 12 years of age delivered excellent growth in aeronautical revenue.
- The property division lifted rental income 10.0% and was the biggest contributor to the total company rental income growth of 7.0%.

Cost base maintained

Auckland Airport

Expenses

	12 months to 30 June 2014 $m	12 months to 30 June 2013 $m	Change %
Staff	42.502	39.953	6.4
Asset management, maintenance and airport operations	40.310	39.607	1.8
Rates and insurance	10.081	9.707	3.9
Marketing and promotions	13.750	14.138	(2.7)
Professional services and levies	6.806	7.491	(9.1)
Other	7.197	6.728	7.0
Total operating expenses	**120.646**	**117.624**	**2.6**
Depreciation	63.541	62.053	2.4
Interest expense	68.171	66.689	2.2

- Operating expenses have been flat since the second half of FY13 resulting in operating expenses per passenger falling 1.1%.
- Interest costs have modestly risen despite the $454 million capital return in April 2014. The increase in the average debt balance has been offset by average interest rates declining from 6.21% in FY13 to 5.95% in FY14.

Capital return executed

Auckland Airport

- Capital return of $454 million paid to shareholders in April 2014.
- Financing of capital return subsequently executed:

April 2014 $150 million 3 year floating rate notes at 60bps over bank bills

May 2014 $150 million 7 year fixed rate bond at 5.52%

July 2014 US$250 million USPP, swapped back to $295 million at 125.5bps over bank bills

Credit metrics

	June 2011	June 2012	June 2013	June 2014
Debt/Enterprise value (%)	27.2	25.8	22.8	24.7
Funds from operations/interest cover ratio (x)	3.6	3.9	4.2	4.5
Funds from operations/debt (%)	17.1	17.9	18.4	15.8
Weighted average interest cost (%)	6.57	6.52	6.21	5.95

Our future

FY14 annual results

Adrian Littlewood, chief executive

Our future – 30-year vision launched

- Bold 30-year vision developed with international experts (www.airportofthefuture.co.nz). Very positive stakeholder feedback.
- Vision is based on a combined domestic and international terminal as well as an efficient, affordable and staged development path.
- Work has commenced on the first three phases of the vision:
  - Increasing capacity in the arrivals baggage hall to eventually deliver two more baggage belts and 2,500 m^2 of additional space.
  - Increasing space in arrivals, customs and bio-security screening.
  - Feasibility work completed on departure processing and passenger waiting areas. Concept design for this phase is now underway. Initial high level costs are approximately \$125 million.[1]

[1] This is subject to the successful completion of concept design, detailed design and the final business case.

Concept design for international passenger area

Our future – growing travel markets

- Continue to focus on sustainable growth in FY15 via mix of seasonal, up gauging and frequency increases – plus new routes.
- Scheduled capacity additions include: Air New Zealand and Singapore Airlines alliance (~100k seats); China Southern moving to double daily from October 2014 to March 2015; LAN to daily services from June.
- Seasonal capacity additions include: China Airlines +15k seats on Taipei-Brisbane-Auckland and Singapore Airlines up gauging to A380 over summer and Qantas seasonal service to Perth.

- Air New Zealand growth ambitions are lifting underpinned by series of new fleet additions. Increases to Bali, Sunshine Coast and San Francisco announced so far.
- Our *Four Seasons – Five Senses* marketing and product development campaign, as part of Government's Tourism Growth Partnership, focusing on driving growth from China with emphasis on shoulder season.

Responding to challenges in retail

Auckland Airport

- Strong programme to lift future retail performance:
  - Continue temporary/pop-up retail programme to test new brands and categories.
  - Launch new speciality and F&B concessions/refurbishments: e.g. 3WiseMen, Shaky Isles at domestic; Juicy Details, DB signature bar, KiwiYo, OPI Nail Bar and lolaandgrace at international. Early sales results very strong.

  - Leverage new online channel to extend categories, range, reach and target segment elasticity. Online trading lifting off – recently trading at least 7x prior year.
  - New international arrivals collection point on ground floor addresses physical issue of carrying shopping through terminal. Will open up new promotional options pre-Xmas.
  - New outbound international expansion creates opportunity for increase in NLA up to 80% and new categories/brands where we are currently underserved e.g. fashion/accessories.
  - Duty free tender underway with strong interest - 10 registered bidders.

Car park & hotel business expanding

Car parking

- Car park revenue growth of 6.1% in the financial year.
- Overall average revenue per parking space increased 0.4% even with the full year of extra space added.
- Valet product launched at domestic terminal to extend the premium car parking offer. Plans underway to expand valet to international.
- 600 spaces at the international terminal released from staff to passenger parks in September 2015.

Hotels

- Occupancy rate remains strong at 92.4% for Ibis Budget and 86.5% for Novotel.
- Construction of an additional 73 rooms at the ibis budget hotel has commenced.
- Market analysis of potential for further ‘at terminal’ hotel rooms underway.

To shop, eat, work and play

Auckland Airport

- Several pre-committed projects are under construction e.g. ibis budget hotel and Hellman.
- Two speculative industrial properties (Duplex and Flex 2) are also underway to fill gap in the market. Half of the Duplex has a lease commitment.
- Appetite to add further office space with plans for Quad 7 (9,000 m^2 of office space in the Quad precinct) progressing.
- Industrial property opportunity at the Landing further enabled with completion of 15 ha of high quality serviced sites.
- Projects to increase amenity completed and awareness of the property opportunity is growing.
- Vacancy in the portfolio is negligible.

Auckland Airport

Regulation remains core to our focus

- Our approach to regulation has not changed. We remain committed to:
    - Making information disclosure work;
    - Searching for innovation and productivity;
    - Building customer choice; and
    - Investing capital efficiently.

- Next price setting will occur in FY17. We will consider all relevant inputs and regulatory precedent at that time. The Commerce Commission's view on appropriate WACC percentile for airports will be one element of the factors we will need to consider.
- We are fully engaged in the process of the review of WACC percentile for electricity sector as set out by the Commerce Commission and will continue discussions when the process for the review of WACC percentile for airports is determined.
- There are a range of views on the outcome of the process and it is too early to estimate the final conclusion.

Guidance

- We are confident in Auckland Airport's ability to grow revenues and EBITDAFI in the 2015 financial year.
- Allowing for the increased interest costs from the $454 million capital return we expect underlying net profit after tax (excluding any fair value changes and other one off items) to be between $160 million and $170 million.
- Due to the 10% reduction in the number of shares on issue following the capital return, this guidance would be a lift in earnings per share of between 2% and 9%.
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration due to global market conditions or other unforeseeable circumstances.

Appendix 4E

Preliminary final report

Name of entity: **Auckland International Airport Limited**

Financial year ended: **30 June 2014**

Results for announcement to the market

(This report is based on audited accounts)

	Up/down	$NZ'000
Sales revenue from ordinary activities	up 6.1% to	475,814
Profit from ordinary activities after tax attributable to members	up 21.3% to	215,881
Net profit for the period attributable to members	up 21.3% to	215,881

For the year ended 30 June 2014 after adjustments in the changes in the fair value of the company's investment properties (gain of $41.974m), property, plant and equipment revaluation (gain of $4.060), derivative fair value change (gain of $0.636m), investment property valuation gains and derivative valuation gains in associates (gain of 2.938m) and associated tax affects for these adjustments ($3.604m), underlying net profit is $169.877m. For the year ended 30 June 2013 after adjustments in the changes in the fair value of the company's investment properties (gain of $23.091m), derivative fair value change (gain of $1.473m), investment property valuation gains and derivative valuation gains in associates (gain of $1.899m) and associated tax affects for these adjustments ($2.277m), underlying net profit is $153.781m. The change in underlying profitability for the year ended 30 June 2014 compared to 2013 is an increase of 10.5%.

Amount per security

	Amount per security $NZ	Franked amount per security $NZ
Final dividend		
Current period	0.0700	0.027222
Previous corresponding period	0.0625	0.024306
Interim dividend		
Current period		
Previous corresponding period	0.0575	0.022361

Record date for determining entitlements to the dividend: 03 October 2014

	30 June 14 $NZ	30 June 13 $NZ
Earnings per share	0.1668	0.1346
Net Tangible Assets per share	2.07	1.89

Comments

Refer to other documents attached (Audited Financial Statements, Company Report, Financial Report, Media Release, Results at a Glance, Annual Results Presentation).

Auckland Airport

26 August 2014

Company Announcements Office
Australian Stock Exchange
Level 6, Exchange Centre
20 Bridge Street
Sydney
New South Wales 2000
Australia

Dear Sir/Madam

Listing Rule 4.2A.2 – Details of Directors and Directors' Declaration in respect of Group Financial Statements and Notes

This announcement is made pursuant to Listing Rule 4.2A and relates to, and should be read in conjunction with, the announcement of the Company's result for the year ended 30 June 2014 dated 26 August 2014.

The Directors of Auckland International Airport Limited at all times during the year ended 30 June 2014 and to date were:

Mrs Joan Withers (Chair) – retired as at 24 October 2013
Sir Henry van der Heyden (Chair) – commenced as Chair as at 24 October 2013
Dr Keith Turner (Deputy Chair)
Mr John Brabazon
Mr Richard Didsbury
Mr Brett Godfrey
Mrs Michelle Guthrie – commenced as director as at 24 October 2013
Mr James Miller
Ms Justine Smyth

Attached is a declaration on behalf of the Directors in respect of the Group Annual Financial Statements and Notes, together with a copy of the Audit Report.

Yours faithfully

Charles Spillane
General Manager Corporate Affairs

Encls.

Auckland International Airport Ltd
P O Box 73020, Auckland Airport, Auckland 2150, New Zealand +64 9 255 9081 +64 9 256 8868 aucklandairport.co.nz
charles.spillane@aucklandairport.co.nz

Auckland International Airport Limited
("Company")

Directors' Declaration in respect of the Group Financial Statements for the Year Ended 30 June 2014

Date: 26 August 2014

Declaration

The Directors of the Company hereby declare:

- the Group Financial Statements dated 30 June 2014 and the Notes to those Financial Statements comply with the accounting standards issued in accordance with the Financial Reporting Act 1993;
- the Group Financial Statements dated 30 June 2014 and the Notes to those Financial Statements give a true and fair view of the financial position and performance of the Group; and
- in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a written resolution of the Directors dated 26 August 2014 and is signed for and on behalf of the Board of Directors by the Chairman.

Signed

Sir Henry van der Heyden
Chair

Auckland International Airport Limited
("Company")

Resolution of the Board of Directors in respect of the Group Financial Statements for the Year Ended 30 June 2014

The Directors of the Company hereby declare by written resolution:

- the Group Financial Statements dated 30 June 2014 and the Notes to those Financial Statements comply with the accounting standards issued in accordance with the Financial Reporting Act 1993;
- the Group Financial Statements dated 30 June 2014 and the Notes to those Financial Statements give a true and fair view of the financial position and performance of the Group; and
- in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Date: 26 August 2014

Signed

Sir Henry van der Heyden

Mr John Brabazon

Mr Brett Godfrey

Ms Justine Smyth

Dr Keith Turner

Mr Richard Didsbury

Mr James Miller

Mrs Michelle Guthrie

Auckland International Airport Limited
("Company")

Resolution of the Board of Directors in respect of the Group Financial Statements for the Year Ended 30 June 2014

The Directors of the Company hereby declare by written resolution:

- the Group Financial Statements dated 30 June 2014 and the Notes to those Financial Statements comply with the accounting standards issued in accordance with the Financial Reporting Act 1993;
- the Group Financial Statements dated 30 June 2014 and the Notes to those Financial Statements give a true and fair view of the financial position and performance of the Group; and
- in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Date: 26 August 2014

Signed

Sir Henry van der Heyden	Dr Keith Turner
Mr John Brabazon	Mr Richard Didsbury
Mr Brett Godfrey	Mr James Miller
Ms Justine Smyth	Mrs Michelle Guthrie

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Number of pages including this one (Please provide any other relevant details on additional pages) [ ]

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Full name of Issuer	AUCKLAND INTERNATIONAL AIRPORT LIMITED
Name of officer authorised to make this notice	SIMON ROBERTSON
Authority for event, e.g. Directors' resolution	DIRECTORS' RESOLUTION
Contact phone number	09 - 255 9174
Contact fax number	09 - 256 8868
Date	26 / 08 / 2014

Nature of event
Tick as appropriate

Bonus Issue	[ ]
If ticked, state whether: Taxable	[ ]
/ Non Taxable	[ ]
Conversion	[ ]
Interest	[ ]
Rights Issue Renouncable	[ ]
Rights Issue non-renouncable	[ ]
Capital change	[ ]
Call	[ ]
Dividend	[X]
If ticked, state whether: Interim	[ ]
Full Year	[X]
Special	[ ]
DRP Applies	[ ]

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	ORDINARY SHARES
ISIN	NZAIA E0001S8

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN (If unknown, contact NZX)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g (1) for (2)	for
Conversion, Maturity, Call Payable or Exercise Date (Enter N/A if not applicable)	
Treatment of Fractions	
Tick if pari passu	[ ]
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.0700
Source of Payment	
Excluded income per security (only applicable to listed PIEs)	
Currency	NZD
Total monies	$83,333,887

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.012353
Date Payable	Friday, 17 October 2014

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.004861
Imputation Credits (Give details)	$0.027222
Foreign Withholding Tax	$
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements -	Friday, 3 October 2014
Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.	Friday, 17 October 2014
Notice Date Entitlement letters, call notices, conversion notices mailed	
Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

NZX