AKL 4NZ

Auckland Airport

Financial Report 2021

Financial Statements

This annual report covers the performances of Auckland International Airport Limited (Auckland Airport) from 1 July 2020 to 30 June 2021. This volume contains our audited financial statements. Overview information and a summary of our performance against financial and non-financial targets for the 2021 financial year are obtained in a separate volume, which may be accessed at report.aucklandairport.co.nz.

Financial report 2021

Introduction

In a year characterised by disruption, resilience and adaptation, Auckland Airport is pleased to present the financial results for the year to 30 June 2021.

The COVID-19 pandemic, with its subsequent border closures and collapse in aeronautical travel, has created one of the most challenging years in the airport's history. As the gateway to New Zealand and New Zealand to the world, Auckland Airport has been on the frontline of the country's response to the pandemic.

In 2021, total passenger numbers were down significantly on pre-pandemic levels. The recovery of domestic passengers during the year has been a positive indicator of New Zealanders' willingness to travel within New Zealand while international border restrictions were in place. The commencement of quarantine-free travel between New Zealand and Australia in the second half of the 2021 financial year and later with the Cook Islands were positive developments in the recovery of the business and indicate a pathway to reconnecting New Zealand with the world. However, the ongoing recurrences of COVID-19 in the community in Australia suggest that the international recovery will not be without its challenges.

Responding to the pandemic has posed significant operational challenges throughout the year. Despite this, the safety and well-being of those who work at the airport, our customers and the thousands of passengers who continued to use the airport every day have been at the forefront of our operation.

We scaled back operating activity to reflect the current trading environment, resulting in a significant reduction in operating expenses. Similarly, capital expenditure in the year was prioritised to focus on asset resilience and renewal in the low demand environment.

The company's balance sheet remains strong, supported by the successful $1.2 billion equity raise in April 2020. In August 2021, Auckland Airport extended its banking facilities and amended key lending covenants to improve financial flexibility to cope with the uncertain COVID-19 recovery pathway.

Despite all of the disruption of the last 12 months, we remain committed to customer service and providing a safe and efficient travel experience. During this ongoing period of uncertainty, we will continue to deliver on what is most important for our customers, our community, our country, our people and our investors.

This financial report analyses our results for the 2021 financial year and its key trends. It covers the following areas:

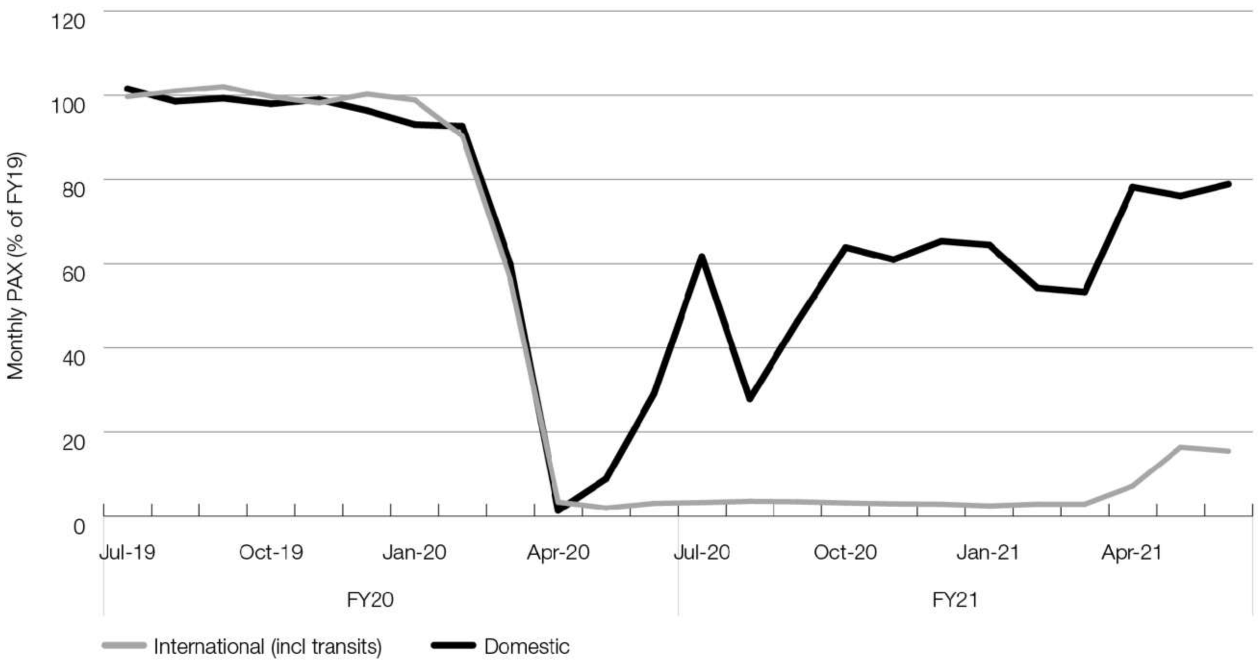
- 2021 Financial performance;
- 2021 Financial position; and
- 2021 Returns for shareholders.

2021 Financial performance

This financial summary provides an overview of the financial results and key trends for the year ended 30 June 2021 compared with those for the previous financial year. Readers should refer to the following financial statements, notes and accounting policies for an understanding of the basis on which the financial results are determined.

The global spread of COVID-19 and the subsequent imposition of travel restrictions have continued to significantly impact Auckland Airport in 2021. Total passenger numbers during 2021 fell to levels not seen since the mid-1990s with the impacts being felt across all business segments, from aviation to transport, retail and hotels.

Monthly passenger numbers



With the relaxation of domestic travel restrictions and success in managing community outbreaks, domestic passenger numbers have steadily increased throughout the year. International passenger flows are a key driver of Auckland Airport's financial performance and with the borders shut to all but returning New Zealand residents, international passenger volumes remained subdued for the majority of the year. In the final quarter some green shoots emerged with the resumption of quarantine-free travel with Australia and then the Cook Islands. While these signalled the first tangible steps on the pathway to an international recovery, the ongoing recurrences of COVID-19 in the community in Australia have interrupted the operation of this bubble and suggest that the international recovery will not be without its challenges.

In the 2021 financial year, revenue decreased by 50.4% to $281.1 million. Aeronautical revenues decreased 62.2% on the prior year, reflecting reduced passenger volumes as a result of ongoing travel restrictions. Retail and car parking revenues decreased 87.4% and 42.9%, respectively. Despite the economic headwinds, property rental income delivered strong growth of 13.6% in the period as a result of completed developments contributing income and rental growth in the existing portfolio.

Our reported profit after taxation for the 2021 financial year was $464.2 million, driven by $527.3 million of investment property revaluation gains and other items. After removing the impact of property and derivative revaluation movements and other one-off and unrealised items, Auckland Airport incurred an underlying loss after taxation of $41.8 million. A summary of the financial results for the year to 30 June 2021 and the 2020 comparative is shown in the table below.

	2021 $M	2020 $M	% change
Income	281.1	567.0	(50.4)
Operating expenses	109.6	306.6	(64.3)
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**171.5**	**260.4**	**(34.1)**
Reported profit after tax	464.2	193.9	139.4
Underlying profit/(loss) after tax	**(41.8)**	**188.5**	**(122.2)**
Earnings per share (cents)	31.5	15.2	107.2
Underlying earnings/(loss) per share (cents)	(2.8)	14.7	(119.0)
Ordinary dividends for the full year			
– cents per share	-	-	N/A
– value distributed	-	-	N/A

Underlying profit is how we measure our financial performance

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

For several years, Auckland Airport has referred to underlying profit alongside reported results. We do so when we report our results, but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our pre-COVID-19 policy to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items). However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result.

2021 Financial performance CONTINUED

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2021 and 2020.

	2021			2020		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per income statement[1]	**171.5**	**-**	**171.5**	**260.4**	**-**	**260.4**
Investment property fair value increase	527.3	(527.3)	-	168.6	(168.6)	-
Property, plant and equipment revaluation	(7.5)	7.5	-	(45.9)	45.9	-
Fixed asset write-offs, impairments and termination costs[1]	-	2.5	2.5	-	117.5	117.5
Reversal of fixed asset impairments and termination costs[1]	-	(19.4)	(19.4)	-	-	-
Derivative fair value movement	(0.5)	0.5	-	(1.9)	1.9	-
Share of profit of associate and joint ventures	21.1	(15.7)	5.4	8.4	0.8	9.2
Impairment of investment in joint venture	-	-	-	(7.7)	-	(7.7)
Depreciation	(124.7)	-	(124.7)	(112.7)	-	(112.7)
Interest expense and other finance costs	(94.0)	-	(94.0)	(71.8)	-	(71.8)
Taxation (expense)/credit	(29.0)	45.9	16.9	(3.5)	(2.9)	(6.4)
Profit/(loss) after tax	**464.2**	**(506.0)**	**(41.8)**	**193.9**	**(5.4)**	**188.5**

1 2021 EBITDAFI includes a reversal of $19.4 million of previously expensed fixed asset write-offs, impairments and termination costs, partially reversing the full $117.5 million of costs that were booked in 2020. 2021 EBITDAFI also includes $2.5 million of new fixed asset write-offs, impairments and termination costs.

As set out in the table above, we have made the following adjustments to show underlying profit after tax for the years ended 30 June 2021 and 2020:

- We have reversed out the impact of revaluations of investment property in 2021 and 2020. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
- Consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land class of assets within property, plant and equipment in 2021 and the land, infrastructure, and runways, taxiways and aprons classes of assets within property, plant and equipment in 2020. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations, which also makes comparisons between years difficult;
- We have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals for both the 2021 and 2020 financial years. In response to the COVID-19 outbreak, some capital expenditure projects were abandoned and fully written off and others were suspended and impaired. During the 2020 financial year, some of these abandoned or suspended projects incurred contractor termination costs which were provisioned for in 2020 with the actual amounts finalised during the 2021 financial year resulting in some reversals of 2020 expenses. The abandonment or suspension of live capital expenditure projects is extremely rare and is the direct consequence of COVID-19. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
- We have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group intends to hold its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;

- In addition, we have adjusted the share of profit of associates and joint ventures in both 2021 and 2020 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
- We have also reversed out the taxation impacts of the above movements in both the 2021 and 2020 financial years.

Key performance measures

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

Measure	2021	2020	2019	% change 2020–2021	% change 2019–2020
Total aircraft seat capacity					
International aircraft seat capacity	1,834,995	10,550,424	14,062,761	(82.6)	(25.0)
Domestic aircraft seat capacity	7,566,978	8,645,575	11,424,084	(12.5)	(24.3)
Passenger movements					
International passengers	559,061	7,739,260	10,506,660	(92.8)	(26.3)
International transit passengers	43,064	734,686	1,011,328	(94.1)	(27.4)
Domestic passengers	5,841,514	7,047,108	9,593,625	(17.1)	(26.5)
Maximum certified take-off weight (MCTOW)					
International MCTOW (tonnes)	1,771,014	4,669,929	5,894,112	(62.1)	(20.8)
Domestic MCTOW (tonnes)	1,637,867	1,830,711	2,372,412	(10.5)	(22.8)
Cargo volume					
Volume of international movements (tonnes)	166,441	165,005	190,905	0.9	(13.6)
Passenger spend rate (PSR)					
Change in international terminal PSR	(21.6%)	(0.5%)	6.6%		
Income per passenger (IPP)					
Retail IPP[1]	$2.77	$9.34	$10.96	(69.9)	(15.5)
Average revenue per parking space (ARPS)					
Change in ARPS	(42.9%)	(26.5%)	3.8%		
Return on investment					
Return on capital employed	6.1%	2.9%	8.3%		
Airport Service Quality (ASQ)					
International	N/A[2]	4.35[2]	4.26		2.1
Domestic	4.20[2]	4.02[2]	4.03	4.5	(0.3)
Rent roll					
Annual rent roll $m (property division)	117.0	104.0	100.0	12.5	4.0
EBITDAFI					
EBITDAFI per passenger	$26.62	$16.78	$26.28	58.3	(36.1)
Environmental					
Scope 1 and 2 carbon emissions (tCO_2e)	4,705	6,045[3]	6,274[3]	(22.2)	(3.6)
Water usage (m^3)	129,514	315,652	375,968	(59.0)	(16.0)

1 Retail IPP restated as retail income over total PAX, compared to the previous metric that reflected retail income over international PAX.
2 As a result of the COVID-19 restrictions, ASQ data was not available for the international terminal between April 2020 and June 2021 and the domestic terminal between April 2020 and September 2020.
3 Previous years' scope 2 emissions have been restated in FY21 to include transmission and distribution losses from electricity lines owned by Auckland Airport.

2021 Financial performance CONTINUED

Revenue

In the 2021 financial year, revenue decreased by 50.4% to $281.1 million, with reduced passenger numbers having an impact across most business segments including aeronautical, retail, parking, hotels and to a lesser extent property.

The table below summarises revenue by line of business for the year to 30 June 2021 and the prior period comparative.

	2021 $M	2020 $M	% change
Operating revenue			
Airfield landing charges	45.8	88.4	(48.2)
Airfield parking charges	18.2	12.2	49.2
Total airfield income	64.0	100.6	(36.4)
Passenger services charge	24.2	133.0	(81.8)
Total aeronautical income	88.2	233.6	(62.2)
Retail income	17.8	141.5	(87.4)
Car parking income	28.7	50.3	(42.9)
Rental income - Property	100.5	88.5	13.6
Rental income - Aeronautical	14.4	20.3	(29.1)
Rental income - Retail	0.3	0.4	(25.0)
Total rental income	115.2	109.2	5.5
Rates recoveries	7.8	7.7	1.3
Interest income	4.9	1.7	188.2
Other income	18.5	23.0	(19.6)
Total revenue	**281.1**	**567.0**	**(50.4)**

In addition to responding to challenges in our own business, Auckland Airport recognises we are part of a wider community and that we continue to have a role to play in supporting our industry partners throughout the COVID-19 disruption. In support of airlines, Auckland Airport continued to suspend certain aircraft parking charges in the year allowing non-operating aircraft to park free of charge. We also continued to support retailers and tenants to manage through the ongoing disruption by providing abatements of more than $185 million to our in-terminal retailers.

Airfield income

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

Total airfield income decreased by $36.6 million, or 36.4%, to $64.0 million with aircraft movements of 98,689, down 29.1% from the 2020 financial year reflecting the reduction in air services as a result of the imposition of travel restrictions.

Total MCTOW across international and domestic landings decreased by 47.6% in the year. The larger decline in MCTOW relative to aircraft movements reflects the significant reduction in long-haul services which are provided by larger aircraft compared to smaller short-haul and domestic aircraft.

	2021	2020	% change
Aircraft movements			
International	15,106	44,961	(66.4)
Domestic	83,583	94,175	(11.2)
Total aircraft movements	**98,689**	**139,136**	**(29.1)**
MCTOW (tonnes)			
International MCTOW	1,771,014	4,669,929	(62.1)
Domestic MCTOW	1,637,867	1,830,711	(10.5)
Total MCTOW	**3,408,881**	**6,500,640**	**(47.6)**

Airfield parking charges income was $18.2 million in the 2021 financial year, an increase of 49.2% on the prior year. This was driven by aircraft being parked on the airfield for longer periods given the reduced activity levels. Auckland Airport continued to support its airline partners, providing $9 million of relief in the year from aircraft parking charges for non-operating aircraft.

Passenger services charge

Passenger services charge (PSC) income decreased by 81.8% to $24.2 million in the 2021 financial year as a result of significantly reduced international activity.

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

	2021	2020	% change
Auckland Airport passenger movements			
International arrivals	261,469	3,948,248	(93.4)
International departures	297,592	3,791,012	(92.2)
International passengers excluding transits	**559,061**	**7,739,260**	**(92.8)**
Transit passengers	43,064	734,686	(94.1)
Total international passengers	**602,125**	**8,473,946**	**(92.9)**
Domestic passengers	5,841,514	7,047,108	(17.1)
Total passenger movements	**6,443,639**	**15,521,054**	**(58.5)**

International passenger movements

International passenger numbers decreased by 92.9% in the year to 30 June 2021, reflecting the continued impact of international travel restrictions and despite the start of quarantine-free travel from Australia in April 2021.

The final quarter of the year to 30 June 2021 saw increased international passenger movements compared to the first three quarters as family, friends and tourists travelled to and from countries with quarantine-free travel arrangements with New Zealand. International passenger movements for the three-month period from April 2021 to June 2021 totalled 330,926, an increase of 293.0% on the 84,196 passenger movements of the preceding quarter.

Passenger arrivals were down by 93.4% in the 2020 financial year. With the resumption of quarantine-free travel to Australia in the final quarter of the 2021 financial year, arrivals from Australian permanent residents increased to 86,187 passengers from 7,157 passengers in the previous quarter. Based on the country of last permanent residence, Australian arrivals outnumbered New Zealanders by 41.8% between May and June 2021. This reflects the respective population's willingness to cross the Tasman with the ongoing risk of lockdowns and border closures.

2021 Financial performance CONTINUED

The table below shows the top 20 volumes of passenger arrivals at Auckland Airport by country of last permanent residence in the 2021 financial year.

	International passenger arrivals				
Country of last permanent residence	2021	2020	% change	% of total 2021 arrivals	% of total 2020 arrivals
Australia	110,782	655,655	(83.1)	42.4	16.6
New Zealand	81,032	1,835,148	(95.6)	31.0	46.5
United Kingdom	14,235	156,262	(90.9)	5.4	4.0
United States of America	9,130	226,693	(96.0)	3.5	5.7
China, People's Republic of	4,637	203,274	(97.7)	1.8	5.1
Cook Islands	3,500	10,618	(67.0)	1.3	0.3
India	2,516	48,092	(94.8)	1.0	1.2
Canada	2,316	52,370	(95.6)	0.9	1.3
Samoa	2,076	22,981	(91.0)	0.8	0.6
Hong Kong (Special Administrative Region)	1,659	31,157	(94.7)	0.6	0.8
Singapore	1,561	26,652	(94.1)	0.6	0.7
South Africa	1,424	22,248	(93.6)	0.5	0.6
Germany	1,204	58,436	(97.9)	0.5	1.5
Japan	1,118	68,482	(98.4)	0.4	1.7
Fiji	1,039	23,925	(95.7)	0.4	0.6
Korea, Republic of	864	52,555	(98.4)	0.3	1.3
France	807	28,877	(97.2)	0.3	0.7
Netherlands	725	19,795	(96.3)	0.3	0.5
Malaysia	676	20,844	(96.8)	0.3	0.5
Thailand	581	12,248	(95.3)	0.2	0.3

Source: Statistics New Zealand

Visitor arrivals by purpose of visit

The most common purpose of international arrivals to New Zealand was visiting friends and relatives (30.5%).

Purpose of visit		2021	2020	% change	% of total
Foreign residents	Holiday	10,418	936,169	(98.9)	4.0
	Visit friends/relatives	79,791	626,849	(87.3)	30.5
	Business/conference	14,916	233,351	(93.6)	5.7
	Education/medical	1,893	45,209	(95.8)	0.7
	Other (incl. not stated/not captured)	73,419	271,522	(73.0)	28.1
New Zealand residents		81,032	1,835,148	(95.6)	31.0

Source: Statistics New Zealand

Domestic passenger movements

With the success in managing the community outbreaks of COVID-19 and the relaxation of domestic travel restrictions, an increasing number of Kiwis took the opportunity to travel, do business and see more of our beautiful country. Domestic passenger movements steadily increased during the year with a total of 5,841,514 passenger movements in the year to 30 June 2021, a 17.1% drop on 2020 and down by 39.1% on the pre-COVID 2019 equivalent.

Recovery of the domestic market continues to remain promising with domestic passenger movements in the last quarter of the 2021 financial year down by 22.3% on the equivalent period in 2019.

Aeronautical prices

FY21 was the fourth year of the FY18-FY22 aeronautical pricing schedule. On 22 February 2019, Auckland Airport discounted our previously published aeronautical prices for FY20-FY22 in response to the Commerce Commission's final opinion regarding our target return for the period. The prices shown in the table below reflect these discounts.

	2020 $	2021 $	2021 price change %	2022 $	2022 price change %
International PSC[1]	14.91	15.21	2.0	15.49	1.8
Domestic PSC[1]	2.62	2.86	9.2	3.10	8.4
Regional PSC[1]	2.35	2.49	6.0	2.64	6.0
Transits PSC[1]	5.11	5.66	10.8	6.24	10.2

1 PSC charges applied to passengers two years and older.

Retail income

Auckland Airport earns concession revenue from retailers within the domestic and international terminals, including Duty Free, Specialty, Luxury and Destination stores, Food and Beverage outlets, Foreign Exchange and Advertising. In addition, retail income is generated through off-airport duty and tax-free sales collected by passengers from our international terminal collection points.

Increased domestic travel has provided an improved trading environment for domestic retailers, especially over the holiday periods. In addition to existing stores, Auckland Airport opened new pop-up retail concepts during the year, which were well received by the travelling public.

With a greater variety of retail options that appeal to the growing domestic travel market, it was pleasing to see the domestic passenger spend rate exceed pre-COVID-19 levels by 13.8%. This reflected the growth in the food and beverage and specialty categories.

The Mall, our online duty and tax-free shopping experience, is now in its third year of trading. The launch of The Mall for collections in the domestic terminal has provided customers with a new online retail range and has given retailers exposure to a new customer base.

With significantly lower passenger volumes, the majority of retail stores within the international terminal remained closed during the year. With the commencement of quarantine-free travel across the Tasman, over 30 stores in the international terminal reopened in the final quarter of the 2021 financial year. It was pleasing to see Duty Free PSR over May and June exceed pre-COVID-19 levels. Notwithstanding this, international retail PSR decreased by 21.6% for the full year as a result of store closures and fewer ranges on offer during the period.

Reflecting the low passenger volumes, Auckland Airport provided more than $185 million of abatements to our in-terminal retailers across both international and domestic operations. As a result, total retail income for the 2021 financial year was $17.8 million, a decrease of 87.4% or $123.7 million on the previous financial year. Auckland Airport's total retail income per total passengers was $2.77 for the 2021 financial year, down from $9.34 in the prior year. This reflects the international border restrictions as well as the relief packages and new concession structures Auckland Airport provided our retail tenants during the year.

2021 Financial performance CONTINUED

Car parking income

Car parking income in the 2021 financial year was $28.7 million, a decrease of $21.6 million, or 42.9% on the prior year.

Domestic parking rebounded in 2021 reflecting the resumption in domestic travel and an increased propensity to park relative to other transport options. Domestic Park and Ride exits were down 42% on pre-COVID-19 levels, in line with the domestic passenger recovery. In response to the increase in domestic car parking demand, Auckland Airport continued to optimise capacity, including reallocating spaces between staff and public, re-purposing taxi parking areas, upgrading customers to Valet and utilising spare international parking capacity. No new car parks were built in the year to 30 June 2021.

With the resumption of trans-Tasman quarantine free travel, international parking products including Valet were reopened in the final quarter of the year.

The average revenue per parking space decreased by 42.9% as a result of ongoing international border restrictions impacting international parking demand during the majority of the year.

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

The table below outlines the number of car parking spaces available at 30 June 2021 and 30 June 2020.

Parking capacity as at 30 June	2021	2020	change	% change
International terminal	3,118	3,315	(197)	(5.9)
Domestic terminal	3,396	2,396	1,000	41.7
Park and Ride[1]	3,772	4,372	(600)	(13.7)
Valet	1,995	1,995	-	-
Staff	800	800	-	-
Total	**13,081**	**12,878**	**203**	**1.6**

1 This includes spaces used for temporary car rental storage lease.

Rental income

Auckland Airport earns rental income from space leased in facilities, such as terminals, cargo buildings and from stand-alone investment properties. Total rental income in the financial year was $115.2 million, an increase of 5.5% on the prior year.

Property rental income (excluding aeronautical and retail rental income) was $100.5 million in 2021, an increase of $12.0 million, or 13.6%, on the prior year. Revenue growth in the year reflected the completion of new property assets, the full-year impact of developments completed during the previous financial year and rent reviews. Newly completed developments in the year included those for Foodstuffs North Island, Interwaste and DHL and the leasing of the remaining units at 27 Timberly Road. Rental income is expected to continue to grow in 2022 with the completion of current projects such as Hellmann Worldwide Logistics, Geodis Wilson, Healthcare Logistics and the full-year impact of the Foodstuffs development.

Auckland Airport continued to support certain property tenants in the financial year through $3.9 million of rental abatements, with a focus predominantly on those tenants most strongly affected by the drop in passenger numbers.

Reflecting lower passenger activity, income from the ibis Budget Hotel fell $4.4 million, or 57.0%, compared to the previous financial year. Following the opening of trans-Tasman quarantine-free travel, occupancy in the final quarter of the year rose to 78.7%, from 44.2% in the first nine months of the year.

Other income

Other income includes utilities, such as the sale of electricity, gas and water reticulation, plus transport licence fees to taxis, shuttles and other operators. Total income from these sources was $18.5 million, a decrease of $4.5 million, or 19.6%, on the previous financial year. This included a $2.9 million reduction in transport licence fees from taxis, reflecting subdued international passenger volumes and a $1.0 million reduction in marketing contributions revenue which is tied to the volume of retail sales.

Expenses

Total expenses, including depreciation, interest and taxation were $357.3 million in the 2021 financial year, a decrease of $137.3 million, or 27.8%, on the prior year.

Operating expenses

As part of our COVID-19 response strategy, Auckland Airport instigated a cost reduction programme, generating savings across the business in discretionary and activity-based operating expenditure. Total operating expenses (excluding depreciation, interest and taxation) were $109.6 million in the 2021 financial year, a decrease of $197.0 million, or 64.3%, on the prior year.

	2021 $M	2020 $M	% change
Operating expenses			
Staff	45.6	62.9	(27.5)
Asset management, maintenance and airport operations	53.4	77.5	(31.1)
Rates and insurance	20.8	18.0	15.6
Marketing and promotions	1.0	8.3	(88.0)
Professional services and levies	3.6	6.2	(41.9)
Fixed asset write-offs, impairment and termination costs	2.5	117.5	(97.9)
Reversal of fixed asset impairment and termination costs	(19.4)	-	N/A
Other expenses	6.3	9.5	(33.7)
Expected credit losses/(release)	(4.2)	6.7	(162.7)
Total operating expenses	**109.6**	**306.6**	**(64.3)**
Depreciation	124.7	112.7	10.6
Interest	94.0	71.8	30.9
Taxation	29.0	3.5	728.6
Total expenses	**357.3**	**494.6**	**(27.8)**

Staff costs fell $17.3 million, or 27.5%, in the year, primarily as a result of a decrease in headcount across the organisation and a wage reduction volunteered by staff that continued until the end of August 2020. The 2021 financial year also included $2.0 million from the Government wage subsidy, compared with $4.1 million in 2020.

Asset management, maintenance and airport operation expenses decreased by $24.1 million, or 31.1%, in the 2021 financial year. This reduction reflected the full-year impact of outsourced operations that were scaled down as a result of reduced aeronautical activity, including baggage handling, bus services supporting airside operations and Park and Ride, Valet parking and the Strata Lounge. Similarly repairs and maintenance activities were reduced due to lower asset utilisation. These reductions were partially offset by additional costs to operate Zone B, a dedicated processing facility within Pier B to process international arrivals from non-Safe Travel Zone countries.

Rates and insurance expenses increased by $2.8 million, or 15.6%, in the 2021 financial year reflecting Auckland Council's rates increase of 2.5% and the completion of several new investment properties. Rates increases on completed investment properties are offset by increases in rates recoveries from tenants. COVID-19 also drove higher insurance costs in the period.

2021 Financial performance CONTINUED

With the closure of New Zealand's borders for the majority of the financial year, marketing and promotional activity declined significantly, reflecting the cessation of aeronautical marketing.

Fees for professional services saw a reduction of $2.6 million, or 41.9%, to $3.6 million in the 2021 financial year, reflecting greater use of internal resources and rationalisation as part of the company's cost reduction plan.

During the 2021 financial year, Auckland Airport reversed $19.4 million of one-off provisions made in 2020, mostly driven by lower construction termination costs than were initially forecast.

Other expenses decreased by $3.2 million, or 33.7%, in the 2021 financial year. This included $1.2 million of hotel cost reductions, credit card charges, office overheads and other corporate expenditure. In addition, Auckland Airport subsequently recovered a net $4.2 million from debtors in the year that was provided for at 30 June 2020.

Depreciation

Depreciation expense in the 2021 financial year was $124.7 million, an increase of $12.0 million, or 10.6%, on the previous financial year. This reflects a combination of fixed assets commissioned in the year, the annualised impact of the fixed assets commissioned partway through the 2020 financial year, and an increase in the depreciable amount of the infrastructure and runway, taxiways and aprons asset classes following their revaluation at 30 June 2020.

Interest

Interest expense rose in the 2021 financial year to $94.0 million, an increase of $22.2 million, or 30.9%, on the prior year. This was driven by $23.5 million of one-off costs associated with the prepayment of USPP debt and the close-out of cross-currency and interest rate swap costs in the year. These changes are expected to result in more than $10.0 million of interest expense savings in the 2022 financial year.

Excluding the one-off costs associated with the USPP prepayment and the close-out of various swaps, normalised interest expense in the year decreased 1.8% to $70.5 million. This reflected lower average debt levels, partially offset by an increase in the average interest rate for the year from 3.89% to 4.16%.

Taxation

Taxation expense was $29.0 million in the 2021 financial year, an increase of $25.5 million on the previous financial year. This largely reflects the deferred tax impact of revaluation movements of the non-land component of investment property and financial derivatives. These fair value movements are excluded from underlying tax, which resulted in an underlying tax credit of $16.9 million, $23.3 million less underlying tax than the $6.4 million underlying tax expense in 2020. Underlying tax also excludes the tax effect of the reversal of fixed asset write-offs, impairments and termination costs.

Share of profit from associates

Our total share of the profit from associates in the 2021 financial year was $21.1 million, comprising Tainui Auckland Airport Hotel Limited Partnership (TAAH) of $20.7 million and Queenstown Airport of $0.4 million. This was an increase of $12.7 million on the $8.4 million share of profit of associates in the 2020 financial year. The main contributing factors to this increase were TAAH's $15.0 million property revaluation gains and derivative fair value gains of $0.7 million.

On an underlying basis, these fair value gains are excluded and this resulted in an underlying share of profit of associates of $5.4 million, comprising $5.0 million from TAAH and $0.4 million from Queenstown Airport. This was a $3.8 million reduction on the $9.2 million in the 2020 financial year.

Queenstown Airport

Queenstown Airport's net profit after tax for the 2021 financial year decreased by 90.3% to $1.7 million. Auckland Airport's 24.99% share of Queenstown Airport's net profit after tax was $0.4 million, a $4.1 million decrease on the $4.5 million in the previous financial year.

	2021 $M	2020 $M	% change
Financial performance			
Total revenue	27.8	46.7	(40.5)
EBITDAFI	17.1	31.3	(45.4)
Total net profit after tax	1.7	17.6	(90.3)
Passenger performance			
Domestic passengers	1,311,416	1,287,072	1.9
International passengers	25,280	583,219	(95.7)
Total passengers	**1,336,696**	**1,870,291**	**(28.5)**

Queenstown Airport's passenger volumes were down 28.5% to 1,336,696 in the 2021 financial year. International passengers fell 95.7% due to COVID-19 border restrictions and domestic passengers increased by 1.9% on the 2020 financial year supported by a strong domestic recovery.

In the 2021 financial year, Auckland Airport did not receive a dividend from our investment in Queenstown Airport. Queenstown Airport's directors have also resolved not to pay a dividend for the 2021 financial year.

Tainui Auckland Airport Hotel Limited Partnership

At 30 June 2021, Auckland Airport had a 50% investment in the Novotel hotel joint venture with Tainui Group Holdings. In the 2021 financial year, Auckland Airport's share of underlying profit from this investment was $5.0 million, an increase of $0.3 million, or 6.4%, compared with the previous financial year. Auckland Airport's share of the joint venture's reported profit in the 2021 financial year was $20.7 million, which includes the $15.0 million of property revaluation gains and $0.7 million of derivative fair value gains.

The Novotel continued to be exclusively used as a managed isolation facility for the entire year.

Tainui Auckland Airport Hotel 2 Limited Partnership

A limited partnership between Tainui Group Holdings Limited and Auckland Airport was formed in February 2017 to build and operate a new Pullman Hotel at Auckland Airport. Auckland Airport and Tainui Group Holdings each holds a 50% stake in the partnership. To date, Auckland Airport has contributed $37.4 million of equity into this partnership.

The partnership continued construction of the 311 room five-star Pullman Hotel during the year with construction broken into two phases, the first phase being to complete the structure and full exterior so that the building is weather-tight. The second phase will involve the completion of the remaining interior fit-out works of the hotel and will be undertaken when the demand outlook is favourable.

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

2021 Financial performance CONTINUED

Fair value changes

In the 2021 financial year, investment property fair value changes resulted in a gain in the income statement of $527.3 million. The main drivers of this fair value increase were a $363.1 million uplift for the industrial category driven by continued capitalisation rate compression and a $118.1 million uplift for vacant land due to higher valuation rates per square metre.

As at 30 June 2021, the land asset class within property, plant and equipment was revalued. These revaluations resulted in a combined $762.4 million increase in the carrying value of this asset class, comprising a $7.5 million expense to reported profit (representing downwards revaluations in excess of prior revaluation reserve balances for certain assets) and a $769.9 million increase in revaluation reserve (representing upwards revaluations in excess of any previous downwards revaluations booked to reported profit for other assets). Further information is included in note 2(f) of the financial statements.

2021 Financial position

As at 30 June	2021 $M	2020 $M	% change
Non-current assets	9,657.0	8,460.2	14.1
Current assets	125.8	837.0	(85.0)
Total assets	**9,782.8**	**9,297.2**	**5.2**
Non-current liabilities	1,523.3	2,192.8	(30.5)
Current liabilities	326.0	467.3	(30.2)
Equity	7,933.5	6,637.1	19.5
Total equity and liabilities	**9,782.8**	**9,297.2**	**5.2**

As at 30 June 2021, the book value of Auckland Airport's total assets was $9,782.8 million, an increase of $485.6 million, or 5.2%, on the prior financial year. The increase in total assets reflects the combined effects of the $527.3 million investment property revaluation gain, the $769.9 million revaluation gain relating to land within the property, plant and equipment asset class, and net capital expenditure in the year of $195.7 million (after capital expenditure impairments). This was partially offset by a $685.8 million reduction in cash that was used to repay debt and settle derivative financial instruments.

Shareholders' equity was $7,933.5 million as at 30 June 2021, an increase of $1,296.4 million, or 19.5%, on 30 June 2020. The movement in equity largely reflects the investment property revaluation gains which are included in retained earnings and property, plant and equipment revaluation gains which are predominantly reflected in the property, plant and equipment revaluation reserve.

Gearing, measured as debt to debt plus the market value of shareholders' equity, decreased to 11.6% as at 30 June 2021, from 19.4% as at 30 June 2020.

Capital expenditure

As part of our COVID-19 response strategy, Auckland Airport suspended most of its aeronautical investment programme, focusing capital expenditure activities in the 2021 financial year on asset resilience and renewals.

For the financial year to 30 June 2021, gross capital expenditure totalling $197.1 million was incurred (before impairments), down 47.2% on the prior year and the lowest level of capital expenditure since 2015. Activity in the year was focused mainly on two main areas, the renewal of core infrastructure assets to take advantage of the low demand environment, and the delivery of transport and investment property projects. Refer table below for a summary of capital expenditure in the year.

Category	2021			2020	%	Key 2021 projects
	Gross capex	Write-offs and impairments	Net capex	Net capex	change	
	$M	$M	$M	$M		
Aeronautical	48.1	(1.0)	47.1	152.4	(69.1)	Activity in the year was focused on core infrastructure renewals including continued work on airfield slab and apron renewals, upgrades to the existing airfield fuel network, airbridge refurbishment at both terminals and an upgrade to the domestic terminal's fire systems was commenced. In addition, Auckland Airport developed a satellite passenger processing facility to enable the segregation of international passengers.
Infrastructure and other	75.1	(1.1)	74.0	49.1	50.7	Activity in the year was focused on the continued works associated with the Northern Transport Network project, scheduled for completion in 2021 and the creation of dedicated High Occupancy Vehicle lanes on State Highway 20B. In addition, Auckland Airport continued to invest in campus-wide utility infrastructure and core operating, security and technology systems.
Property	72.6	(0.1)	72.5	146.2	(50.4)	Activity in the year included the completion of the facilities for Foodstuffs NZ and Interwaste and an expansion for DHL. Construction works commenced on three pre-leased developments for Hellmann Worldwide Logistics and Geodis Wilson, both scheduled for completion in the first half of 2022, and EBOS Healthcare Logistics, scheduled for completion early in the 2023 financial year. In addition, activity continued on the Te Arikinui Pullman Auckland Airport Hotel.
Retail	0.1	1.0	1.1	10.7	(89.7)	Retail capital expenditure in 2021 included the continued investment in The Mall, Auckland Airport's OMNI channel retail platform.
Car parking	1.2	(0.2)	1.0	12.4	(91.9)	Activity in the year primarily related to renewal of car park guidance systems and barrier arms.
Total	**197.1**	**(1.4)**	**195.7**	**370.8**	**(47.2)**	

During the 2021 financial year, work also began on the development of a trigger-based infrastructure plan that aligns Auckland Airport’s future investment programme with the expected recovery in aviation. The first major project under the new trigger-based plan will be a new domestic terminal to integrate jet operations with the existing international facility. Concept design work and consultation with stakeholders around key elements of the design occurred in the financial year.

Capital expenditure outlook for FY22

Capital investment for the year to 30 June 2022 will continue to be focused on delivering core airfield renewals such as runway slab/apron replacements, airfield ground lighting and fuel system upgrades, and completing existing roading infrastructure projects and pre-leased property developments. In addition, work will continue on the design, planning and enabling works for the integration of domestic jet operations into the international terminal.

Reflecting this, capital expenditure for the 2022 financial year is forecast to be between $250 million and $300 million.

Category	Forecast 2022 ($M)	
	Low	High
Aeronautical	119.7	146.6
Infrastructure and other	74.7	80.8
Property development	50.5	64.2
Retail and car parking	5.1	8.4
Total capital expenditure	**250.0**	**300.0**

2021 Financial position CONTINUED

Aeronautical activity will be primarily focused on the airfield. The downturn in flights that came with COVID-19 has created opportunities to increase airfield renewal and upgrade activity including slab, apron, airfield ground lighting renewals and fuel system upgrades with minimal disruption to the travelling public. We also intend to upgrade fire systems in the domestic terminal, replace an ageing airbridge at the international terminal and continue with a programme of general terminal renewals. In addition, changes to security regulations are resulting in upgrades to security screening in the domestic terminal in FY22.

In the 2022 financial year, Auckland Airport plans to progress the design and commence enabling works for the terminal integration programme including associated projects such as extending the operational life of the current domestic terminal, a new multi-storey car park, and demolishing a power centre, operations centre and baggage hall to make way for the new integrated domestic terminal. The worldwide COVID-19 pandemic continues to impose significant uncertainty on the timing of major aeronautical development, however we remain committed to the principle of developing new capacity as and when demand triggers are met. Key stages of this transformational project will be aligned to the recovery in aviation.

Other infrastructure projects in the 2022 financial year will include the completion of Northern Transport Network work on George Bolt Memorial Drive and a new international terminal exit road. In addition, Auckland Airport intends to continue to invest in renewal and upgrades of utility networks and core IT infrastructure, including a major upgrade to the campus fibre network to ensure diversification and resilience of service, as well as ongoing investment in cyber security.

Property projects planned for 2022 include the completion of the Hellmann Worldwide Logistics and Geodis Wilson developments and continuation of the EBOS Healthcare Logistics facility. Auckland Airport and Tainui Group Holdings plan to also make further equity contributions to our existing joint venture for the development of the Te Arikinui Pullman Auckland Airport Hotel. In addition, Auckland Airport will continue to explore new pre-leased property development opportunities.

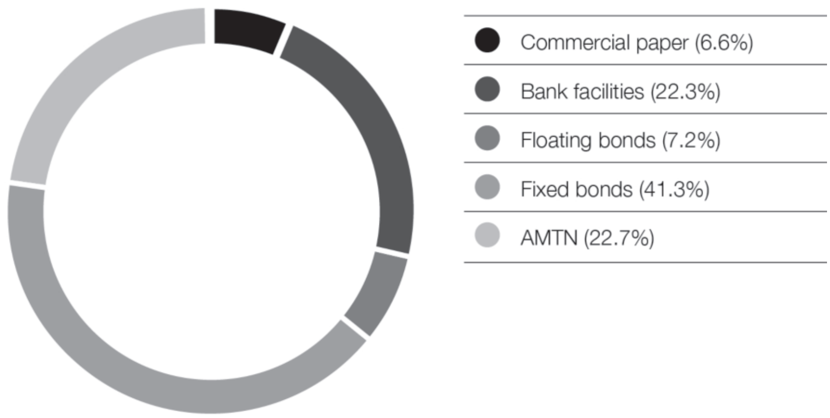
Borrowings

As at 30 June 2021, Auckland Airport's total borrowings were $1,392.8 million, a decrease of $752.4 million, or 35.1% on the previous year. The decrease in borrowings reflects repayment of debt during the year as well as decreases in the fair value of existing debt owing to increases in market interest rates and the strengthening of the New Zealand exchange rate.

As at 30 June 2021, Auckland Airport's borrowings comprised: AMTN notes totalling $315.8 million; New Zealand fixed rate bonds totalling $575.0 million; New Zealand floating rate bonds totalling $100.0 million; drawn bank facilities totalling $310.0 million; and commercial paper totalling $92.0 million.

Short-term borrowings with a maturity of one year or less totalled $220.0 million as at 30 June 2021 and comprised $92.0 million of commercial paper and $128.0 million of drawn bank facilities.

Borrowings by type



In June 2021, Auckland Airport prepaid $425.0 million (US$350.0 million) of outstanding USPP notes. The prepayment of principal, accrued interest and associated swap close-out costs amounted to $438.4 million.

The AMTN borrowings were revalued at year-end to reflect the reduction in value due to the depreciation of the Australian dollar versus the New Zealand dollar, as well as interest rate movements. The AMTN debt carrying value decreased by $15.1 million. The exchange rate movement was matched by equal and offsetting movements in the fair value of the associated cross-currency interest rate swaps.

As at 30 June 2021, Auckland Airport had fixed rate bonds outstanding of $575.0 million and floating rate notes of $100.0 million. A full breakdown of the maturities of these notes is available in note 18(a).

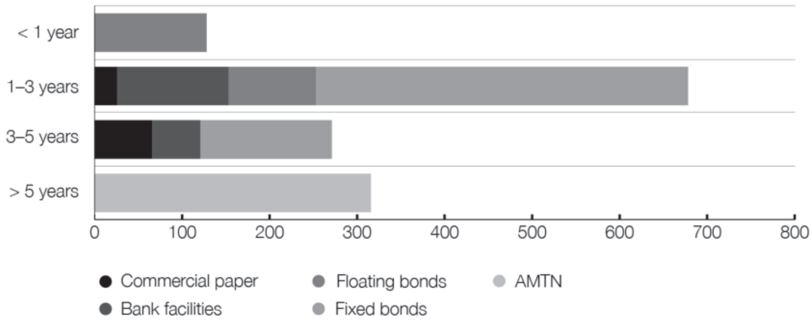
As at 30 June 2021, Auckland Airport had total bank facilities of $1,141.7 million, of which $310.0 million was drawn and $831.7 million was available in a standby capacity. At 30 June 2021, we had a mix of drawn and undrawn facilities with all eight banking counterparties, a full breakdown of which is available in note 18(d) of the financial statements.

In response to the expected impact of travel restrictions from COVID-19, in April 2020 Auckland Airport obtained waivers from its banking group from two financial covenants, interest coverage and gearing for the period through to 31 December 2021. Recognising the ongoing uncertainty associated with the shape and timing of the expected recovery in aviation, in August 2021 we reached agreement with our lenders to extend the maturities on all our bank facilities due to mature before 30 June 2022 and to convert the existing interest coverage covenant from an EBIT-based measure to an EBITDA-based measure from 1 January 2022. Both the existing interest coverage and gearing covenant waivers will expire on 1 January 2022. Further information is available in note 3(d) and note 24 of the financial statements.

2021 Financial position CONTINUED

The commercial paper programme had a balance of $92.0 million as at 30 June 2021. As the commercial paper is supported by undrawn facilities which mature in November 2022 and August 2024, they are included in the one-to-three-year and three-to-five-year brackets for the purpose of the following debt maturity profile chart as at 30 June 2021, matching the maturity of the supporting bank facilities.

Debt maturity profile at 30 June 2021



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

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

Credit metrics and key lending covenants	Covenant	2021	2020
Gearing	≤ 60%	15.3%	23.5%
Interest coverage	≥ 1.5x	0.75x	2.62x
Debt to enterprise value		11.6%	19.4%
Net debt to enterprise value		10.9%	12.5%
Debt to underlying EBITDAFI		9.0x	5.0x
Funds from operations interest cover		1.5x	3.4x
Funds from operations to net debt		3.9%	18.6%
Weighted average interest cost[1]		5.43%	3.89%
Average debt term to maturity (years)		2.92	4.66
Percentage of fixed borrowings		80.4%	65.4%

1 2021 includes one off close out costs for interest rate swaps, USPP notes and associated cross currency swaps of $23.5m. Excluding these costs the weighted average interest cost was 4.16%

Credit rating

As at 30 June 2021, Standard & Poor's long-term credit rating of Auckland Airport was 'A- Stable' and the short-term credit rating was 'A2'.

Cash flow

Cash flow summary	2021 $M	2020 $M	% change
Net cash inflow from operating activities	61.0	175.8	(65.3)
Net cash outflow from investing activities	(216.5)	(396.6)	(45.4)
Net cash inflow/(outflow) from financing activities	(530.3)	948.8	(155.9)
Net (decrease)/increase in cash held	**(685.8)**	**728.0**	**(194.2)**

Net cash inflow from operating activities was $61.0 million in the 2021 financial year, a decrease of $114.8 million, or 65.3%, on the previous financial year. This is broadly in line with the decline in earnings during the financial year.

Net cash outflow applied to investing activities was $216.5 million in the 2021 financial year, a decrease of $180.1 million, or 45.4%.

Net cash outflow from financing activities was $530.3 million in the 2021 financial year, a decrease of $1,479.1 million, on the previous financial year. This was mainly due to $640 million of borrowings repaid during the year, including all remaining USPP debt and a $150.0 million NZDCM bond maturity. The financing cash inflows of the previous financial year were considerably higher, reflecting the $1.2 billion equity raise in April 2020.

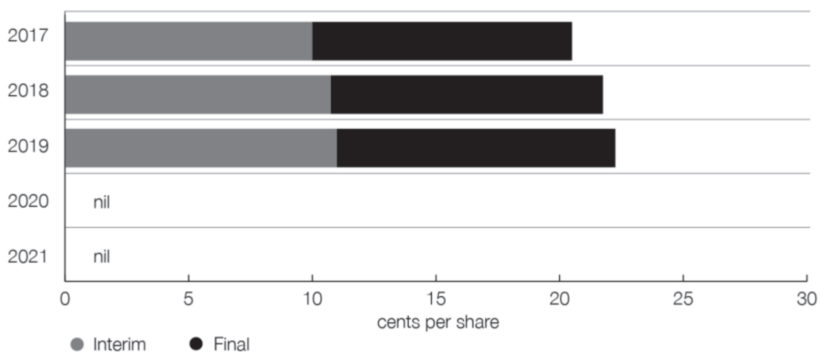
2021 Returns for shareholders

Dividend policy

Auckland Airport's pre-COVID-19 dividend policy was 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.

However, dividends are temporarily suspended until 1 January 2022 while Auckland Airport has financial covenant waivers in place with our banks. Our dividend policy is reviewed annually.

Distribution history



Share price performance and total shareholder returns

Auckland Airport's share price rose 10.7% in the year to 30 June 2021, from $6.57 to $7.27.

Total shareholder return, including the share price movement relating to the 2021 financial year, was 10.7%.

Five-year compound average total shareholder return

	Share price opening	Share price closing	Dividends	Total return	Average annual shareholder return
	$	$	cps	$	%
1 July 2016 to 30 June 2021	6.50	7.27	73.50	1.51	4.5%[1]

1 We have updated our return methodology to reflect the timing of cash flows. For shareholders that participated pro-rata in the April 2020 equity raise, the annualised five-year return would be 5.8%.

Financial statements

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $M	2020 $M
Income			
Airfield income		64.0	100.6
Passenger services charge		24.2	133.0
Retail income		17.8	141.5
Rental income		115.2	109.2
Rates recoveries		7.8	7.7
Car park income		28.7	50.3
Interest income		4.9	1.7
Other income		18.5	23.0
Total income		281.1	567.0
Expenses			
Staff	5	45.6	62.9
Asset management, maintenance and airport operations		53.4	77.5
Rates and insurance		20.8	18.0
Marketing and promotions		1.0	8.3
Professional services and levies		3.6	6.2
Fixed asset write-offs, impairment and termination costs	5	2.5	117.5
Reversal of fixed asset impairment and termination costs	5	(19.4)	-
Other expenses		6.3	9.5
Expected credit losses/(release)		(4.2)	6.7
Total expenses		109.6	306.6
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		171.5	260.4
Investment property fair value change	12	527.3	168.6
Property, plant and equipment fair value change	11(a)	(7.5)	(45.9)
Derivative fair value change	18(b)	(0.5)	(1.9)
Share of profit of associate and joint ventures	8	21.1	8.4
Impairment of investment in joint venture	8	-	(7.7)
Earnings before interest, taxation and depreciation (EBITDA)[1]		711.9	381.9
Depreciation	11(a)	124.7	112.7
Earnings before interest and taxation (EBIT)[1]		587.2	269.2
Interest expense and other finance costs	5	94.0	71.8
Profit before taxation		493.2	197.4
Taxation expense	7(a)	29.0	3.5
Profit after taxation attributable to the owners of the parent		464.2	193.9
		Cents	Cents
Earnings per share			
Basic and diluted earnings per share	10	31.54	15.16

1 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $M	2020 $M
Profit for the year		464.2	193.9
Other comprehensive income			
Items that will not be reclassified to the income statement			
Net property, plant and equipment revaluation movement	11(a), 16(b)	769.9	(599.8)
Tax on the property, plant and equipment revaluation reserve	16(b)	-	(32.5)
Movement in share of reserves of associate and joint ventures	8, 16(f)	8.2	-
Items that will not be reclassified to the income statement		778.1	(632.3)
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges			
Fair value losses/(gains) recognised in the cash flow hedge reserve	16(d)	57.7	(44.5)
Realised gains transferred to the income statement	16(d)	12.1	(2.2)
Tax effect of movements in the cash flow hedge reserve	16(d)	(19.5)	13.1
Total cash flow hedge movement		50.3	(33.6)
Movement in cost of hedging reserve	16(e)	3.9	2.7
Tax effect of movement in cost of hedging reserve	16(e)	(1.1)	(0.8)
Items that may be reclassified subsequently to the income statement		53.1	(31.7)
Total other comprehensive income		831.2	(664.0)
Total comprehensive income for the year, net of tax attributable to the owners of the parent		1,295.4	(470.1)

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M	Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associate and joint ventures $M	Retained earnings $M	Total $M
For the year ended 30 June 2021										
At 1 July 2020		1,678.6	(609.2)	4,333.7	1.6	(100.7)	(3.9)	28.8	1,308.2	6,637.1
Profit for the year		-	-	-	-	-	-	-	464.2	464.2
Other comprehensive income		-	-	769.9	-	50.3	2.8	8.2	-	831.2
Total comprehensive income		-	-	769.9	-	50.3	2.8	8.2	464.2	1,295.4
Reclassification to retained earnings	16(b)	-	-	(3.7)	-	-	-	-	3.7	-
Shares issued	15	0.6	-	-	-	-	-	-	-	0.6
Long-term incentive plan	16(c)	-	-	-	0.4	-	-	-	-	0.4
At 30 June 2021		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,776.1	7,933.5
For the year ended 30 June 2020										
At 1 July 2019		468.2	(609.2)	4,968.8	1.4	(67.1)	(5.8)	28.8	1,247.8	6,032.9
Profit for the year		-	-	-	-	-	-	-	193.9	193.9
Other comprehensive income		-	-	(632.3)	-	(33.6)	1.9	-	-	(664.0)
Total comprehensive income		-	-	(632.3)	-	(33.6)	1.9	-	193.9	(470.1)
Reclassification to retained earnings	16(b)	-	-	(2.8)	-	-	-	-	2.8	-
Shares issued	15	1,210.4	-	-	-	-	-	-	-	1,210.4
Long-term incentive plan	16(c)	-	-	-	0.2	-	-	-	-	0.2
Dividend paid	9	-	-	-	-	-	-	-	(136.3)	(136.3)
At 30 June 2020		1,678.6	(609.2)	4,333.7	1.6	(100.7)	(3.9)	28.8	1,308.2	6,637.1

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2021

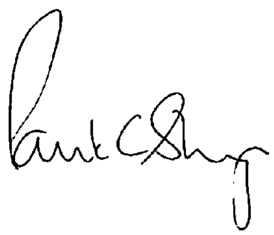
	Notes	2021 $M	Restated 2020 $M
Non-current assets			
Property, plant and equipment	11(a)	6,832.0	6,060.8
Investment properties	12	2,641.4	2,054.2
Investment in associate and joint ventures	8	154.4	114.7
Derivative financial instruments	18	29.2	230.5
		9,657.0	8,460.2
Current assets			
Cash and cash equivalents	13	79.5	765.3
Trade and other receivables	14	25.4	34.7
Taxation receivable		20.9	21.6
Derivative financial instruments	18	-	15.4
		125.8	837.0
Total assets		9,782.8	9,297.2

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

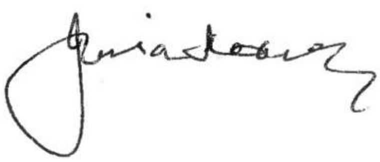
	Notes	2021 $M	2020 $M
Shareholders' equity			
Issued and paid-up capital	15	1,679.2	1,678.6
Reserves	16	4,478.2	3,650.3
Retained earnings		1,776.1	1,308.2
		7,933.5	6,637.1
Non-current liabilities			
Term borrowings	18(a)	1,172.8	1,824.4
Derivative financial instruments	18	67.9	134.6
Deferred tax liability	7(c)	279.8	231.7
Other term liabilities		2.8	2.1
		1,523.3	2,192.8
Current liabilities			
Accounts payable and accruals	17	103.4	106.3
Derivative financial instruments	18	1.9	3.0
Short-term borrowings	18(a)	220.0	320.8
Provisions	21	0.7	37.2
		326.0	467.3
Total equity and liabilities		9,782.8	9,297.2

These financial statements were approved and adopted by the Board on 19 August 2021.

Signed on behalf of the Board by



Patrick Strange
Director, Chair of the Board



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

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $M	2020 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		271.2	586.0
Interest received		4.9	1.6
		276.1	587.6
Cash was applied to:			
Payments to suppliers and employees		(116.5)	(242.5)
Income tax paid		(0.6)	(94.2)
Interest paid		(98.0)	(75.1)
		(215.1)	(411.8)
Net cash flow from operating activities	6	61.0	175.8
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.4	0.1
Repayment of partner contribution/dividends received from associate and joint ventures	8	5.0	14.9
		5.4	15.0
Cash was applied to:			
Property, plant and equipment additions		(141.9)	(240.5)
Interest paid - capitalised	11(a), 12	(6.5)	(11.8)
Investment property additions		(58.1)	(136.1)
Investment in joint ventures	8	(15.4)	(23.2)
		(221.9)	(411.6)
Net cash flow applied to investing activities		(216.5)	(396.6)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital	15	-	1,178.1
Increase in borrowings	18(a)	105.0	125.0
Settlement of cross-currency interest rate swaps		79.6	-
		184.6	1,303.1
Cash was applied to:			
Decrease in borrowings	18(a)	(714.9)	(250.0)
Dividends paid	9, 15	-	(104.3)
		(714.9)	(354.3)
Net cash flow applied to financing activities		(530.3)	948.8
Net (decrease)/increase in cash held		(685.8)	728.0
Opening cash brought forward		765.3	37.3
Ending cash carried forward	13	79.5	765.3

The notes and accounting policies on pages 27 to 74 form part of, and are to be read in conjunction with, these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2021

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

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 reregistered under the *Companies Act 1993* on 6 June 1997. The company is an FMC reporting entity under Part 7 of the *Financial Markets Conduct Act 2013*.

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

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

All the subsidiaries are incorporated in New Zealand.

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

These financial statements were authorised for issue in accordance with a resolution of the directors on 19 August 2021.

2. Summary of significant accounting policies

(a) Basis of preparation

Statutory base

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

Measurement base

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

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

Presentation currency

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

(b) Statement of compliance

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

(c) New accounting standards and interpretations

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

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with Software-as-a-Service (SaaS) applications. The new interpretation only permits capitalisation for SaaS in limited circumstances and in many instances configuration and customisation costs must be recognised as an operating expense. The decision did not address the accounting for other components of cloud technology such as Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS). The group currently capitalises configuration and customisation costs for SaaS, IaaS and PaaS.

The group has commenced a review of its cloud-based applications to determine which are captured by the new interpretation and whether the previously capitalised amounts are material for restatement. Due to the complexity of historical SaaS projects, the entity is still in the process of obtaining the required information to analyse the impact of the agenda decision. Based on analysis performed as at the date of this report, the group estimates that, as at 30 June 2021, software assets with a carrying value of up to $15.6 million may be affected by the decision. In the year ended 30 June 2021, the group significantly reduced its capital expenditure programme, including SaaS projects. Therefore, any reclassification to operating costs for current year expenditure is likely to be outweighed by a decrease in depreciation in respect of projects that were capitalised in prior years. The group estimates that, for the year ended 30 June 2021, the potential increase in operating costs is unlikely to exceed $2.9 million and the potential decrease in depreciation is unlikely to exceed $9.8 million. The group intends to complete its review before 31 December 2021 and may restate its financial statements if material.

The group has changed its presentation of lease incentives and receivables arising from fixed future rental revenue increases on investment property. The group previously recognised these within trade and other receivables but now recognises them within investment properties. As a result of recent lease agreements, the impact of lease incentives and receivables has grown and is expected to become more material in future. The comparative amounts to 30 June 2020 have been restated in the consolidated statement of financial position and at notes 6, 12 and 14. There has been no impact on reported profit.

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

(d) Basis of consolidation

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

(e) Investments in associate and joint ventures

The equity method of accounting is used for the three investments over which the group has significant influence but not a controlling interest.

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

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

(f) Property, plant and equipment

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

Property, plant and equipment are initially recognised at cost.

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

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

Revaluations

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

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

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

Depreciation

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

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

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

Leased assets

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

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

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

(g) Investment properties

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

2. Summary of significant accounting policies CONTINUED

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

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

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

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

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

(h) Impairment of non-financial assets

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

(i) Borrowing costs

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

(j) Financial instruments

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

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

Cash

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

Accounts receivable

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

Lease incentives and receivables

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

Accounts payable and accruals

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

Borrowings

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

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

Derivative financial instruments

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

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

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

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

(k) Issued and paid-up capital

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

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

(l) Revenue recognition

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

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

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

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

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

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

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

(m) Employee benefits

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

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

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

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

(n) Income tax and other taxes

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

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

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

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

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

Cash flows are included in the cash flow statement on a 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

3. Significant accounting judgements, estimates and assumptions

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

(a) Fair value of investment property

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

(b) Carrying value of property, plant and equipment

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

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

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

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

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

(d) COVID-19

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

The following measures remained in place throughout the 2021 financial year:

- Suspension of dividends (see note 9);
- Reduced operating expenditure;
- Suspension of some capital expenditure projects; and
- Financial covenant waivers until 31 December 2021 (see note 18(a)).

During the financial year ended 30 June 2021, New Zealand and Australia remained predominantly COVID-19 free, allowing a substantial recovery in domestic passenger numbers. As a result, in April 2021 the New Zealand and Australian Governments introduced the trans-Tasman travel bubble allowing two-way quarantine-free border crossings for passengers travelling between New Zealand and Australia. This delivered a partial recovery of international passenger numbers through Auckland Airport during the final quarter of the 2021 financial year.

Since then, however, Australia has experienced widespread outbreaks of the highly infectious delta variant, sending several states into lockdown. On 23 July, the New Zealand Government announced the suspension of quarantine-free trans-Tasman travel until 17 September, and this initial eight-week suspension might be extended. As a result, Auckland Airport brought forward its planned bank discussions regarding:

- extending nearly $700.0 million of bank facilities due to mature over January-April 2022 ($128.0 million drawn at 30 June 2021) to support short term liquidity; and
- modifying the interest coverage covenant after the current waiver expires on 1 January 2022.

The company is very pleased with the support provided by all eight banks which has resulted in $688 million of facilities being extended by between 7-19 months from the original maturity dates and the interest coverage covenant being converted from the previous 1.5x EBIT-based measure (excluding revaluations) to a new EBITDA-based measure (also excluding revaluations) that steps up progressively broadly in line with the anticipated recovery in international passengers. The EBITDA-based interest coverage covenant will start at 2.0x for calendar 2022, rising to 2.5x for calendar 2023 and settling at 3.0x for calendar 2024 onwards. As previously, there will be two measurement dates each year, these being 30 June and 31 December. The company forecasts that it will exceed the new covenant at the first measurement date on 30 June 2022.

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

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

(e) Non-GAAP financial information

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

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

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

4. Segment information

(a) Identification of reportable segments

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

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

(b) Types of services provided

Aeronautical

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

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

Retail

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

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

Property

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

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

(c) Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2021 financial year accounted for 31.0% of external revenue (2020: 26.6%). The revenue from this customer is included in all three operating segments.

(d) Geographical areas

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

4. Segment information CONTINUED

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

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

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2020				
Income from external customers				
Airfield income	100.6	-	-	100.6
Passenger services charge	133.0	-	-	133.0
Retail income	-	141.5	-	141.5
Rental income	20.3	0.4	88.5	109.2
Rates recoveries	0.7	1.6	5.4	7.7
Car park income	-	50.3	-	50.3
Other income	7.7	8.1	3.1	18.9
Total segment income	262.3	201.9	97.0	561.2
Expenses				
Staff	37.3	6.0	4.3	47.6
Asset management, maintenance and airport operations	41.2	15.6	4.3	61.1
Rates and insurance	5.5	2.8	8.6	16.9
Marketing and promotions	4.4	2.9	0.3	7.6
Professional services and levies	1.5	0.4	1.5	3.4
Fixed asset write-offs, impairment and termination costs	105.4	8.4	1.8	115.6
Other expenses	5.2	1.1	2.7	9.0
Total segment expenses	200.5	37.2	23.5	261.2
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	61.8	164.7	73.5	300.0

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

(e) Reconciliation of segment income to income statement

	2021 $M	2020 $M
Segment income	272.0	561.2
Interest income	4.9	1.7
Other revenue	4.2	4.1
Total income	281.1	567.0

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

4. Segment information CONTINUED

(f) Reconciliation of segment EBITDAFI to income statement

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

	2021 $M	2020 $M
Segment EBITDAFI[1]	191.7	300.0
Unallocated external operating income	9.1	5.8
Unallocated external operating expenses	(29.3)	(45.4)
Total EBITDAFI as per income statement[1]	171.5	260.4
Investment property fair value increase	527.3	168.6
Property, plant and equipment revaluation	(7.5)	(45.9)
Derivative fair value increase/(decrease)	(0.5)	(1.9)
Share of profit of associate and joint ventures	21.1	8.4
Impairment of investment in joint venture	-	(7.7)
Depreciation	(124.7)	(112.7)
Interest expense and other finance costs	(94.0)	(71.8)
Profit before taxation	493.2	197.4

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

5. Profit for the year

	Notes	2021 $M	2020 $M
Retail and rental income includes:			
Variable lease payments		15.3	7.2
Rent abatements		(192.8)	(64.8)
Impairment of lease receivables		-	(15.6)
Staff expenses comprise:			
Salaries and wages		42.6	48.2
Employee benefits		1.5	4.6
Share-based payment plans	23	0.5	0.6
Defined contribution superannuation		1.6	1.9
Redundancies		-	5.9
Government wage subsidy		(2.2)	(4.1)
Other staff costs		1.6	5.8
		45.6	62.9
Fixed asset write-offs, impairment and termination costs comprise:			
Write-offs - property, plant and equipment	11(a)	0.1	22.1
Termination costs - property, plant and equipment		-	55.3
Impairment - property, plant and equipment	11(a)	2.3	39.7
Write-offs - investment properties	12	0.1	0.4
		2.5	117.5
Reversal of fixed asset impairment and termination costs comprise:			
Reversal of termination costs - property, plant and equipment	21	(18.3)	-
Reversal of impairment - property, plant and equipment	11(a)	(1.1)	-
		(19.4)	-
Other expenses include:			
Directors' fees		1.3	1.4
Bad debts written off		-	0.6
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		35.9	40.7
Interest on bank facilities and related hedging instruments		19.3	16.9
Interest on USPP notes and related hedging instruments		9.8	13.5
Interest on AMTN notes and related hedging instruments		8.7	9.3
Interest on commercial paper and related hedging instruments		2.8	3.2
Close out cost of hedge accounted swaps linked to debt not refinanced	18(b)	11.6	-
Make-whole to USPP noteholders for prepayment	18(a)	44.4	-
Proceeds on close out of USPP related cross-currency swaps	18(a)	(32.0)	-
		100.5	83.6
Less capitalised borrowing costs	11(a), 12	(6.5)	(11.8)
		94.0	71.8
Interest rate for capitalised borrowing costs		4.16%	3.89%

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

5. Profit for the year CONTINUED

The gross interest costs of bonds, bank facilities, USPP notes, AMTN notes and commercial paper, excluding the impact of interest rate hedges, was $113.5 million for the year ended 30 June 2021 (2020: $81.1 million).

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

Auditor's remuneration

	2021 $'000	2020 $'000
Audit of financial statements		
Audit and review of financial statements[1]	386.0	233.0
Other services		
Regulatory audit work[2]	50.1	50.0
Other services[3]	53.3	25.0
Total fees paid to auditor	489.4	308.0

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements. Included in the 2021 audit fee is an amount of $113,000 relating to the FY20 audit that was agreed and invoiced in 2021.
2 Regulatory audit work consists of the audit of airport-related regulatory disclosures.
3 Other services include $30,000 relating to greenhouse gas inventory assurance and sustainability data quality non-assurance services. The group has also paid $14,000 to Deloitte for administrative and other advisory services to the Corporate Taxpayers Group, of which the group, alongside a number of other organisations, is a member. The remaining other services relate to independent AGM vote scrutineering ($6,000) and trustee reporting ($3,300).

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

	2021 $M	Restated 2020 $M
Profit after taxation	464.2	193.9
Non-cash items		
Depreciation	124.7	112.7
Deferred taxation expense	27.7	(53.8)
Fixed asset write-offs and impairment	2.5	62.2
Reversal of fixed asset impairment	(1.1)	-
Equity-accounted earnings from associate and joint ventures	(21.1)	(8.4)
Impairment of investment in joint venture	-	7.7
Property, plant and equipment fair value revaluation	7.5	45.9
Investment property fair value increase	(527.3)	(168.6)
Derivative fair value decrease	0.5	1.9
Items not classified as operating activities		
Gain on asset disposals	0.3	(0.1)
Decrease/(increase) in provisions and property, plant and equipment retentions and payables	20.6	(47.4)
Decrease in investment property retentions and payables	4.3	2.9
Increase in investment property lease incentives and receivables	(13.9)	(12.9)
Items recognised directly in equity	0.8	0.5
Movement in working capital		
(Increase)/decrease in trade and other receivables	9.3	35.7
Increase/(decrease) in taxation payable	0.7	(36.9)
(Decrease)/increase in accounts payable and provisions	(39.4)	40.3
Increase in other term liabilities	0.7	0.2
Net cash flow from operating activities	61.0	175.8

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

7. Taxation

(a) Income tax expense

	2021 $M	2020 $M
The major components of income tax are:		
Current income tax		
Current income tax charge	1.2	57.4
Income tax (under)/over provided in prior year	0.1	(0.1)
Deferred income tax		
Movement in deferred tax	27.7	(53.8)
Total taxation expense	29.0	3.5

(b) Reconciliation between prima facie taxation and tax expense

	2021 $M	2020 $M
Profit before taxation	493.2	197.4
Prima facie taxation at 28%	138.1	55.3
Adjustments:		
Share of associates' tax paid earnings	(0.2)	(1.2)
Revaluation with no tax impact	(103.9)	(36.5)
Income tax over provided in prior year	(0.1)	(0.1)
Reinstatement of depreciation on buildings	-	(44.7)
Non-deductible asset write-offs, impairment and termination costs	(4.8)	32.9
Other	(0.1)	(2.2)
Total taxation expense	29.0	3.5

(c) Deferred tax assets and liabilities

	Balance 1 July 2020 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Balance 30 June 2021 $M
Deferred tax liabilities					
Property, plant and equipment	183.7	(5.6)	-	-	178.1
Investment properties	94.8	49.8	-	-	144.6
Other	0.2	3.5	-	-	3.7
Deferred tax liabilities	278.7	47.7	-	-	326.4
Deferred tax assets					
Cash flow hedge	40.6	-	(20.6)	-	20.0
Tax losses	-	26.3	-	-	26.3
Provisions, accruals and long-term incentive plan	6.4	(6.3)	-	0.2	0.3
Deferred tax assets	47.0	20.0	(20.6)	0.2	46.6
Net deferred tax liability	231.7	27.7	20.6	(0.2)	279.8

	Balance 1 July 2019 $M	Movement in income $M	Movement in other comprehensive income $M	Reinstatement of depreciation on buildings $M	Balance 30 June 2020 $M
Deferred tax liabilities					
Property, plant and equipment	202.3	(6.4)	32.5	(44.7)	183.7
Investment properties	88.9	5.9	-	-	94.8
Other	3.2	(3.0)	-	-	0.2
Deferred tax liabilities	294.4	(3.5)	32.5	(44.7)	278.7
Deferred tax assets					
Cash flow hedge	28.3	-	12.3	-	40.6
Provisions and accruals	0.8	5.6	-	-	6.4
Deferred tax assets	29.1	5.6	12.3	-	47.0
Net deferred tax liability	265.3	(9.1)	20.2	(44.7)	231.7

In March 2020, the Government reintroduced depreciation deductions on commercial buildings for tax purposes, applicable from 1 April 2020. The impact of this change increased the depreciable tax base for these assets, which resulted in a one-off reduction in deferred tax liability and a reduction in tax expense of $44.7 million in the year ended 30 June 2020.

(d) Imputation credits

	2021 $M	2020 $M
Imputation credits available for use in subsequent reporting periods at 30 June	0.8	0.2

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

8. Associate and joint ventures

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

The 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. On 31 October 2019, Auckland Airport increased its investment in Tainui Auckland Airport Hotel Limited Partnership from 40% to 50% by way of acquiring Accor Hospitality's remaining 10% stake in the partnership. The 10% stake was purchased for a consideration of $6.6 million, which included goodwill of $4.4 million.

The partnership has a balance date of 31 March 2021. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2021 and management accounts for the balance of the year to 30 June 2021.

The group considers that there are no impairment indicators of its investment in the joint venture. The hotel continues to be contracted to the New Zealand Government as a managed isolation facility (30 June 2020: $7.7 million impairment of goodwill).

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

Other transactions with the partnership are as follows:

	2021 $M	2020 $M
Rental income received	0.6	1.0
Future minimum rentals receivable under non-cancellable operating lease	10.5	15.0

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

The partnership between Tainui Group Holdings Limited and Auckland Airport was formed in February 2017 to build and operate a new Pullman Hotel at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The group has contributed $37.1 million into the partnership (2020: had contributed $21.7 million into the partnership).

The group considers that there are no impairment indicators for its investment, which is measured at cost of the works under construction. The boards of both Tainui Group Holdings and Auckland Airport continue to consider the ongoing impact of COVID-19 and have resolved to continue construction of the hotel to be ready for the post-COVID-19 recovery. However, the remaining construction works is split into two phases. The first phase is to complete the facade and structural elements to make the building watertight and fit for code compliance. The second phase will be to carry out all internal fit-outs ready for opening. The timing of the second phase will depend on the recovery in international passenger numbers following COVID-19.

Other transactions with the partnership are as follows:

	2021 $M	2020 $M
Rental income received	0.7	-
Future minimum rentals receivable under non-cancellable operating lease	21.3	22.0

(c) Queenstown Airport Corporation Limited (associate)

On 8 July 2010, Auckland Airport invested $27.7 million in four million new shares (24.99% 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 also pursue operational synergies and benefits in other areas, such as aeronautical operations, retailing activities and property development. The group does not earn fees for the services provided by Auckland Airport’s management staff under the strategic alliance agreement. One of Auckland Airport’s senior management staff is on the board of Queenstown Airport.

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

Summary financial information

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

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2021	2020	2021	2020	2021	2020
	$M	$M	$M	$M	$M	$M
Revenue	25.1	29.8	-	-	27.8	46.7
EBITDA	13.2	10.2	-	-	17.1	31.3
Profit after taxation	9.9	7.1	-	-	1.7	17.6
Other comprehensive income/(loss)	-	-	-	-	33.1	(0.1)
Total comprehensive income for the year	9.9	7.1	-	-	34.8	17.5
Distributions						
Repayment of partner contribution/dividends received	(10.0)	(26.0)	-	-	-	(8.3)
Auckland Airport share of repayment of partner contribution/dividends received	(5.0)	(12.8)	-	-	-	(2.1)

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2021	2020	2021	2020	2021	2020
	$M	$M	$M	$M	$M	$M
Current assets	4.9	5.7	1.1	0.6	24.6	7.8
Non-current assets	59.0	60.1	73.0	42.8	403.3	390.7
Total assets	63.9	65.8	74.1	43.4	427.9	398.5
Current liabilities	52.5	5.5	-	-	4.0	24.1
Non-current liabilities	10.2	59.2	-	-	95.5	81.1
Shareholders' equity	1.2	1.1	74.1	43.4	328.4	293.3
Total equity and liabilities	63.9	65.8	74.1	43.4	427.9	398.5
Auckland Airport ownership	50.00%	50.00%	50.00%	50.00%	24.99%	24.99%
Auckland Airport share of shareholders' equity	0.6	0.6	37.1	21.7	82.0	73.4
Investment property depreciation and revaluation adjustment	29.5	13.8	-	-	-	-
Goodwill	6.1	6.1	-	-	-	-
Gain on purchase	-	-	-	-	(0.9)	(0.9)
Carrying value of investment	36.2	20.5	37.1	21.7	81.1	72.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

8. Associate and joint ventures CONTINUED

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

	2021 $M	2020 $M
Investment in associate and joint ventures at the beginning of the year	114.7	105.7
Further investment in joint ventures	15.4	23.2
Share of profit of associate and joint ventures	6.1	8.4
Revaluation of investment property	15.0	-
Impairment of investment in joint venture	-	(7.7)
Share of reserves of associate and joint ventures	8.2	-
Share of dividends received or repayment of partner contribution	(5.0)	(14.9)
Investment in associate and joint ventures at the end of the year	154.4	114.7

9. Distribution to shareholders

	Dividend payment date	2021 $M	2020 $M
2019 final dividend of 11.25 cps	18 October 2019	-	136.3
Total dividends paid		-	136.3

Supplementary dividends are not included in the above dividends as the company receives an equivalent tax credit from Inland Revenue. There were no supplementary dividends in the year ended 30 June 2021 (2020: $9.7 million).

As part of the capital restructure undertaken in April 2020 in response to COVID-19, Auckland Airport agreed financial covenant waivers with its bank lenders and USPP noteholders and agreed that no dividends will be paid while those waivers are in effect. Hence no dividends were paid during, or declared for, the year ended 30 June 2021.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $464.2 million (2020: $193.9 million).

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

	2021 Shares	2020 Shares
For basic earnings per share	1,471,999,685	1,279,220,528
Effect of dilution of share options	-	-
For diluted earnings per share	1,471,999,685	1,279,220,528

The 2021 reported basic and diluted earnings per share is 31.54 cents (2020: 15.16 cents).

11. Property, plant and equipment

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

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2021						
Balances at 1 July 2020						
At fair value	3,931.1	1,030.3	391.7	322.1	-	5,675.2
At cost	-	-	-	-	202.1	202.1
Work in progress at cost	-	167.3	96.1	56.2	53.2	372.8
Accumulated depreciation	-	(56.9)	(0.3)	-	(132.1)	(189.3)
Balances at 1 July 2020	3,931.1	1,140.7	487.5	378.3	123.2	6,060.8
Additions and transfers within property, plant and equipment	-	(2.5)	81.8	27.5	18.5	125.3
Transfers from/(to) investment property	12.2	(1.7)	(0.2)	-	(0.1)	10.2
Revaluation recognised in property, plant and equipment revaluation reserve	769.9	-	-	-	-	769.9
Revaluation recognised in the income statement	(7.5)	-	-	-	-	(7.5)
Impairment	-	(0.5)	(0.5)	-	(1.3)	(2.3)
Reversal of impairment	-	1.1	-	-	-	1.1
Write-offs	-	-	(0.1)	-	-	(0.1)
Depreciation	-	(57.2)	(16.6)	(16.7)	(34.2)	(124.7)
Movement to 30 June 2021	774.6	(60.8)	64.2	10.8	(17.6)	771.2
Balances at 30 June 2021						
At fair value	4,705.7	1,055.2	409.6	339.7	-	6,510.2
At cost	-	-	-	-	219.9	219.9
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(114.1)	(16.9)	(16.7)	(164.1)	(311.8)
Balances at 30 June 2021	4,705.7	1,079.9	551.7	389.1	105.6	6,832.0

Additions for the year ended 30 June 2021 include capitalised interest of $4.1 million (2020: $6.8 million).

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

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $296.3 million (30 June 2020: $216.0 million);
- Land associated with retail facilities within terminal buildings carried at $2,004.8 million (30 June 2020: $1,667.5 million); and
- Terminal building premises (within buildings and services), being 13% of total floor area and carried at $120.1 million (30 June 2020: 13% of total floor area or $113.7 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

11. Property, plant and equipment CONTINUED

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2020						
Balances at 1 July 2019						
At fair value	4,645.4	981.8	402.7	343.7	-	6,373.6
At cost	-	-	-	-	174.4	174.4
Work in progress at cost	-	75.3	42.7	54.8	57.0	229.8
Accumulated depreciation	-	(0.4)	(42.3)	(52.0)	(106.0)	(200.7)
Balances at 1 July 2019	4,645.4	1,056.7	403.1	346.5	125.4	6,577.1
Additions and transfers within property, plant and equipment	-	179.3	73.2	4.8	37.1	294.4
Transfers from/(to) investment property	6.9	2.6	-	-	-	9.5
Revaluation recognised in property, plant and equipment revaluation reserve	(715.9)	-	75.3	40.8	-	(599.8)
Revaluation recognised in the income statement	(5.3)	-	(39.5)	(1.1)	-	(45.9)
Impairment	-	(32.5)	(5.3)	(0.9)	(1.0)	(39.7)
Write-offs	-	(7.4)	(1.9)	-	(12.8)	(22.1)
Depreciation	-	(58.0)	(17.4)	(11.8)	(25.5)	(112.7)
Movement to 30 June 2020	(714.3)	84.0	84.4	31.8	(2.2)	(516.3)
Balances at 30 June 2020						
At fair value	3,931.1	1,030.3	391.7	322.1	-	5,675.2
At cost	-	-	-	-	202.1	202.1
Work in progress at cost	-	167.3	96.1	56.2	53.2	372.8
Accumulated depreciation	-	(56.9)	(0.3)	-	(132.1)	(189.3)
Balances at 30 June 2020	3,931.1	1,140.7	487.5	378.3	123.2	6,060.8

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

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2021						
At historical cost	153.9	1,335.3	412.8	365.2	219.9	2,487.1
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(621.4)	(162.3)	(221.4)	(164.1)	(1,169.2)
Net carrying amount	153.9	852.7	409.5	209.9	105.6	1,731.6
Year ended 30 June 2020						
At historical cost	153.3	1,310.3	394.8	349.8	202.1	2,410.3
Work in progress at cost	-	167.3	96.1	56.2	53.2	372.8
Accumulated depreciation	-	(584.4)	(149.0)	(214.2)	(132.1)	(1,079.7)
Net carrying amount	153.3	893.2	341.9	191.8	123.2	1,703.4

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

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

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

Land assets were independently valued at 30 June 2021 by Savills Limited (Savills), Jones Lang LaSalle Limited (JLL), CBRE Limited (CBRE) and Aon Risk Solutions (AON). Buildings and services, infrastructure and runway, taxiways and aprons were not revalued at 30 June 2021. The assessment is that there is not a material difference between the carrying value and the fair value of those asset classes at 30 June 2021.

Impairment and write-offs

Infrastructure and runway, taxiways and aprons were last revalued at 30 June 2020. Buildings and services were last revalued at 30 June 2019. To check for any indicators of impairment for these asset classes, which are periodically revalued using the optimised depreciated replacement cost method, the group considered the movements in the capital goods price index since 30 June 2020 and 30 June 2019, respectively. There are no indicators of impairment.

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

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

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

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

Fair value measurement

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

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

Impact of COVID-19

Due to the effects of COVID-19, the previous valuations at 30 June 2020 were prepared on the basis of 'significant market uncertainty' or ‘material valuation uncertainty’, except for reclaimed land.

The valuations of airfield land and aeronautical land associated with aircraft, freight and non-retail terminal uses at 30 June 2021 are no longer subject to 'material valuation uncertainty' due to the strength of the property market and recent sales evidence.

The valuations of land associated with car park facilities and retail facilities within terminal buildings at 30 June 2021 remain subject to 'material valuation uncertainty' and therefore the valuers have advised that less certainty should be attached to their valuations than would normally be the case. The revenue streams remain severely affected by the closure of New Zealand's borders. The major inputs and assumptions that required judgement included forecasts of the international economic recovery from COVID-19, the recovery of domestic and international air travel and expected passenger flows. The valuers reviewed management's internal forecasts and compared them with external evidence including forecasts by the International Air Transport Association (IATA), published on their website www.iata.org/. The valuations have improved due to the ongoing vaccine rollout, evidence of growing passenger numbers and lower observed yields for retail properties.

The group has not revalued buildings and services, infrastructure or runways, taxiways and aprons at 30 June 2021 as the group assessed there is not a material difference between the carrying value and the fair value of those asset classes. The assessment was supported by an initial review by Beca at 31 December 2020, to determine whether a revaluation was likely to be required, followed by management's review of subsequent evidence to assess the potential difference at 30 June 2021. Both the Beca review and management's assessment were based on movements in the capital goods price index, which is a relevant benchmark as when these asset classes are revalued, the valuation approach is the optimised depreciated replacement cost of the asset. The group and its valuers consider that those asset classes are no longer subject to 'significant market uncertainty'.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

11. Property, plant and equipment CONTINUED

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

		2021		2020	
Asset valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Land					
Airfield land, including land for runway, taxiways, aprons and approaches	Rate per sqm prior to holding costs (excluding approaches)	$117 - 216	$160	$97 - 175	$132
Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use and direct sales comparison	Holding costs per sqm (excluding approaches)	$39 - 76	$55	$31 - 61	$44
	Holding period (excluding approaches)	5.0 years	N/A	5.0 years	N/A
	Airfield land discount rate	9.49%	N/A	9.49%	N/A
	Rate per sqm (approaches)	$15 - 66	$25	$13 - 58	$22
Reclaimed land seawalls	Unit costs of seawall construction per m	$4,514 - 9,715	$7,297	$4,455 - 9,588	$7,202
Optimised depreciated replacement cost	Unit costs of reclamation per sqm	$165 - 167	$167	$165	$165
Aeronautical land, including land associated with aircraft, freight and terminal uses	Rate per sqm (excluding commercially leased assets)	$188 - 1,202	$277	$155 - 1,061	$226
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions and direct sales comparison	Market rent (per sqm) – average	$48 - 328	$88	$38 - 325	$181
	Market capitalisation rate – average	3.83 - 6.13%	4.97%	4.88 - 6.75%	6.17%
	Terminal capitalisation rate	4.08 - 6.25%	5.22%	5.13 - 7.00%	6.42%
	Discount rate	5.75 - 8.00%	6.83%	7.00 - 9.00%	8.14%
	Rental growth rate (per annum)	2.00 - 2.60%	2.58%	2.35 - 2.57%	2.50%
Land associated with car park facilities	Discount rate	8.00 - 12.50%	10.36%	8.25 - 13.00%	10.76%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	6.50 - 8.75%	7.27%	6.75 - 9.00%	7.52%
	Revenue growth rate (per annum)	4.01 - 32.86%	15.11%	1.87 - 8.42%	4.43%
Land associated with retail facilities within terminal buildings	Discount rate	8.00 - 8.75%	8.72%	8.75 - 10.25%	10.18%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	7.25 - 7.50%	7.26%	7.63 - 7.88%	7.64%
	Revenue growth rate (per annum)	2.98 - 3.07%	2.98%	3.09 - 3.13%	3.13%
	Market capitalisation rate	6.00 - 6.50%	6.48%	6.88 - 7.88%	7.83%
Other land					
Direct sales comparison	Rate per sqm	$100 - 207	$128	$95 - 160	$114

Asset valuation approach	Inputs used to measure fair value	2021 Range of significant inputs	2021 Weighted average	2020 Range of significant inputs	2020 Weighted average
Buildings and services					
Terminal buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,681 - 9,475	$8,577	$1,681 - 9,475	$8,577
Other buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,009 - 4,689	$2,869	$1,009 - 4,689	$2,869
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost	Unit costs of pipe construction per m	$158 - 5,832	$898	$158 - 5,832	$898
Electricity					
Optimised depreciated replacement cost	Unit costs of electrical cabling construction per m	$141 - 450	$409	$141 - 450	$409
Roads					
Optimised depreciated replacement cost	Unit costs of road and footpaths construction per sqm	$58 - 185	$111	$58 - 185	$111
Other infrastructure assets					
Optimised depreciated replacement cost	Unit costs of navigation aids and lights	$323 - 95,559	$12,635	$323 - 95,559	$12,635
	Unit costs of fuel pipe construction per m	$3,047 - 4,352	$4,180	$3,047 - 4,352	$4,180
Runway, taxiways and aprons					
Optimised depreciated replacement cost	Unit costs of concrete pavement construction per sqm	$340 - 532	$527	$340 - 532	$527
	Unit costs of asphalt pavement construction per sqm	$155 - 340	$337	$155 - 340	$337

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

11. Property, plant and equipment CONTINUED

The table below includes descriptions of different valuation approaches:

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

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

	30 June 2021		30 June 2020	
Asset classification	Valuer	$M	Valuer	$M
Airfield land, including land for runway, taxiways, aprons and approaches[1]	Savills	1,021.7	Savills	854.5
Reclaimed land seawalls[1]	AON / Savills	280.2	AON / Savills	273.7
Aeronautical land, including land associated with aircraft, freight and terminal uses[1]	JLL / Savills	583.3	JLL / Savills	452.3
Land associated with car park facilities[1]	CBRE	675.9	CBRE	573.3
Land associated with retail facilities within terminal buildings[1]	CBRE	2,004.8	CBRE	1,667.5
Other land[1]	JLL / Savills	139.8	JLL / Savills	109.5
Terminal buildings[2]	Beca	950.9	Beca	985.7
Other buildings[2]	Beca	129.0	Beca	155.1
Water and drainage[3]	Beca	161.6	Beca	164.6
Electricity[3]	Beca	48.6	Beca	49.6
Roads[3]	Beca	221.7	Beca	156.7
Other infrastructure assets[3]	Beca	119.8	Beca	116.7
Runway, taxiways and aprons[4]	Beca	389.1	Beca	378.4
Assets carried at fair value		6,726.4		5,937.6
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	105.6	N/A	123.2
Balance at 30 June		6,832.0		6,060.8

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

11. Property, plant and equipment CONTINUED

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

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

12. Investment properties

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

	Retail and service $M	Industrial $M	Vacant land $M	Other $M	Total $M
Year ended 30 June 2021					
Balance at the beginning of the year (restated)	279.3	1,250.9	330.2	193.8	2,054.2
Additions	4.3	51.9	0.3	(0.2)	56.3
Transfers from/(to) property, plant and equipment (note 11)	(4.9)	4.9	(10.2)	-	(10.2)
Transfers within investment property	(0.6)	24.7	(24.1)	-	-
Write-offs	-	(0.1)	-	-	(0.1)
Investment property fair value change	23.4	363.1	118.1	22.7	527.3
Lease incentives capitalised	-	12.0	-	-	12.0
Lease incentives amortised	-	(1.7)	-	(0.1)	(1.8)
Spreading of fixed rental increases	-	3.7	-	-	3.7
Net carrying amount	301.5	1,709.4	414.3	216.2	2,641.4
Year ended 30 June 2020					
Balance at the beginning of the year	271.3	927.8	377.2	169.1	1,745.4
Additions	2.8	107.9	1.4	26.5	138.6
Transfers to property, plant and equipment (note 11)	(1.2)	-	(8.3)	-	(9.5)
Transfers within investment property	(0.9)	36.8	(35.9)	-	-
Write-offs	(0.1)	(0.1)	-	(0.2)	(0.4)
Investment property fair value change	7.2	168.5	(4.2)	(2.9)	168.6
Lease incentives capitalised (restated)	0.2	11.3	-	1.4	12.9
Lease incentives amortised (restated)	-	(1.3)	-	(0.1)	(1.4)
Net carrying amount (restated)	279.3	1,250.9	330.2	193.8	2,054.2

Additions for the year ended 30 June 2021 include capitalised interest of $2.4 million (2020: $5.0 million).

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

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

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

Impact of COVID-19
As a result of the impact of COVID-19, the independent valuations of the group's investment property portfolio at 30 June 2020 were reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. As at 30 June 2021, the 'material valuation uncertainty' clause has been removed on all of the investment property valuations due to the strength of the property market and recent sales evidence, except for those relating to the two hotels in the group's retail and service investment property portfolio. The valuers have advised that the longer term impact of COVID-19 on the hotel sector is yet to be fully known so the valuations are subject to 'material valuation uncertainty' and that less certainty should be attached to their valuations than would normally be the case. The total carrying value of the two hotels is $67.5 million.

All valuations have been reviewed by the group's property management team, which has determined the valuations to be appropriate as at 30 June 2021.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

12. Investment properties CONTINUED

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

		2021		2020	
Asset classification and valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Retail and service					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$120 - 530	$270	$50 - 576	$259
	Market capitalisation rate	4.25 - 6.10%	5.34%	5.13 - 6.26%	6.13%
	Terminal capitalisation rate	4.50 - 6.63%	5.71%	5.38 - 6.75%	6.50%
	Discount rate	5.75 - 7.63%	6.86%	6.50 - 8.00%	7.66%
	Rental growth rate (per annum)	2.10 - 2.60%	2.50%	2.32 - 2.57%	2.38%
Industrial					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$104 - 317	$150	$110 - 307	$147
	Market capitalisation rate	3.75 - 6.75%	4.39%	4.13 - 7.25%	5.30%
	Terminal capitalisation rate	3.75 - 7.25%	4.61%	4.13 - 7.63%	5.50%
	Discount rate	5.13 - 7.50%	6.08%	6.25 - 9.00%	7.12%
	Rental growth rate (per annum)	2.43 - 2.60%	2.50%	2.32 - 2.57%	2.48%
Vacant land					
Direct sales comparison and residual value	Rate per sqm	$6 - 1,600	$180	$6 - 701	$141
Other					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$49 - 424	$285	$49 - 444	$247
	Market capitalisation rate	4.50 - 7.00%	5.44%	5.13 - 7.25%	6.00%
	Terminal capitalisation rate	4.75 - 7.25%	5.72%	5.38 - 7.50%	6.27%
	Discount rate	6.00 - 8.00%	6.98%	6.75 - 9.25%	7.84%
	Rental growth rate (per annum)	2.00 - 2.60%	2.41%	2.32 - 2.57%	2.34%

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

	2021 $M	Restated 2020 $M
Colliers International	570.4	434.4
Savills Limited	1,398.1	1,074.0
Jones Lang LaSalle Limited	670.1	537.3
Investment property carried at cost	2.8	8.5
Total fair value of investment properties	2,641.4	2,054.2

The investment properties assigned to valuers are rotated across the portfolio every three years, with the most recent rotation occurring in June 2019. All valuers are registered valuers and industry specialists in valuing the above types of investment properties.

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

	2021 $M	2020 $M
Rental income for investment properties	83.6	66.7
Recoverable cost income	6.9	6.7
Direct operating expenses for investment properties that derived rental income	(8.6)	(7.7)
Direct operating expenses for investment properties that did not derive rental income	(2.4)	(2.5)

The following categories of investment property are leased to tenants:

- Retail and service carried at $301.5 million (30 June 2020: $279.3 million);
- Industrial carried at $1,709.4 million (30 June 2020: $1,250.9 million); and
- Other investment property carried at $216.2 million (30 June 2020: $193.8 million).

The above values include the land associated with these properties.

13. Cash and cash equivalents

	2021 $M	2020 $M
Short-term deposits	79.0	765.1
Cash and bank balances	0.5	0.2
Total cash and cash equivalents	79.5	765.3

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 0.25 to 1.41% (2020: at a rate of 0.25 to 1.65%).

At 30 June 2021, Auckland Airport held total cash and cash equivalents of $79.5 million (2020: $765.3 million). The short-term deposits at 30 June 2021 ranged from $20.0 million to $36.0 million and were spread across three financial institutions to minimise credit risk, with those being ASB Bank, Bank of New Zealand and Westpac New Zealand (2020: $80.0 million to $330.0 million across five financial institutions). These financial institutions had a credit rating of 'A' or above from Standard & Poor's. The level of deposits at each financial institution recognises a balance between returns and credit risk.

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

14. Trade and other receivables

	2021 $M	Restated 2020 $M
Trade receivables	8.2	23.9
Less: Expected credit losses	(3.4)	(7.6)
Net trade receivables	4.8	16.3
Prepayments	7.2	9.2
GST receivable	-	3.2
Revenue accruals and other receivables	13.4	6.0
Total trade and other receivables	25.4	34.7

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

14. Trade and other receivables CONTINUED

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. Movements in the provision for expected credit losses have been included in other expenses in the income statement. The group has assessed its expected credit losses using a credit risk matrix. Customers were assigned to four categories and a risk weighting applied to aged overdue balances. Because of a lack of useful historical data on which to base the 2021 COVID-19-related receivables impairment analysis, the group has applied judgement using management experience and customer interactions since the emergence of COVID-19. The categories are:

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

15. Issued and paid-up capital

	2021 $M	2020 $M	2021 Shares	2020 Shares
Opening number issued and paid-up capital at 1 July	1,678.6	468.2	1,471,916,791	1,210,674,696
Shares fully paid and allocated to employees by employee share scheme	0.3	0.1	56,300	21,100
Shares vested for employees participating in long-term incentive plans	0.3	0.2	61,546	89,379
Shares issued under the dividend reinvestment plan	-	32.0	-	3,620,888
Shares issued under the $1.2 billion equity raise	-	1,178.1	-	257,510,728
Closing issued and paid-up capital at 30 June	1,679.2	1,678.6	1,472,034,637	1,471,916,791

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

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

Dividend reinvestment plan

The company has a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. The company considers whether the plan will apply to a dividend at each dividend announcement. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows. As mentioned in note 3(d) and note 9, no dividends were paid during, or declared for, the year ended 30 June 2021.

Share-based payment plans

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

Equity raise

On 6 April 2020, Auckland Airport announced an equity raise comprising a $1 billion underwritten private placement and a $200 million share purchase plan to reinforce its balance sheet and ensure the company remains well capitalised and solvent during the period of strict border controls and significantly reduced passenger numbers, revenue and profit. The company issued a total of 257,510,728 shares under the private placement and share purchase plan.

16. Reserves

(a) Cancelled share reserve

	2021 $M	2020 $M
Balance at the beginning and end of the year	(609.2)	(609.2)

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

(b) Property, plant and equipment revaluation reserve

	2021 $M	2020 $M
Balance at 1 July	4,333.7	4,968.8
Reclassification to retained earnings	(3.7)	(2.8)
Revaluation	769.9	(599.8)
Movement in deferred tax	-	(32.5)
Balance at 30 June	5,099.9	4,333.7

The property, plant and equipment revaluation reserve records the revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons. The $769.9 million increase in revaluation reserve, in the year ended 30 June 2021, relates to increases in land with no tax impact (2020: $599.8 million decrease in revaluation reserve, including a $715.9 million decrease in land with no tax impact, partially offset by revaluation increases of $75.3 million in infrastructure and $40.8 million in runway, taxiways and aprons, which are subject to deferred tax).

(c) Share-based payments reserve

	2021 $M	2020 $M
Balance at 1 July	1.6	1.4
Long-term incentive plan expense	0.2	0.2
Movement in deferred tax	0.2	-
Balance at 30 June	2.0	1.6

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

(d) Cash flow hedge reserve

	Notes	2021 $M	2020 $M
Balance at 1 July		(100.7)	(67.1)
Fair value change in hedging instrument		57.7	(44.5)
Transfers to the income statement relating to:			
Hedged transactions in the income statement		(0.5)	(2.2)
Close out of interest rate swaps linked to debt not refinanced	18(b)	11.6	-
Close out of USPP related cross-currency swaps	18(b)	1.0	-
Movement in deferred tax		(19.5)	13.1
Balance at 30 June		(50.4)	(100.7)

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 2021

16. Reserves CONTINUED

(e) Cost of hedging reserve

	Note	2021 $M	2020 $M
Balance at 1 July		(3.9)	(5.8)
Change in currency basis spreads (when excluded from designated hedges)		(3.0)	2.7
Transferred to the income statement on close out of USPP related cross-currency swaps	18(b)	6.9	-
Movement in deferred tax		(1.1)	(0.8)
Balance at 30 June		(1.1)	(3.9)

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

(f) Share of reserves of associate and joint ventures

	2021 $M	2020 $M
Balance at 1 July	28.8	28.8
Share of reserves of associate and joint ventures	8.2	-
Balance at the beginning and end of the year	37.0	28.8

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

17. Accounts payable and accruals

	2021 $M	2020 $M
Employee entitlements	8.4	8.6
GST payable	0.2	-
Property, plant and equipment retentions and payables	50.4	34.7
Investment property retentions and payables	8.1	12.4
Trade payables	1.3	7.9
Interest payables	8.1	14.5
Other payables and accruals	26.9	28.2
Total accounts payable and accruals	103.4	106.3

The above balances are unsecured.

The amount owing to the related parties at 30 June 2021 is $0.2 million (2020: $4.9 million), refer note 22.

18. Financial assets and liabilities

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

	Notes	2021 $M	2020 $M
Current financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	13	79.5	765.3
Trade and other receivables		18.2	22.3
		97.7	787.6
Derivative financial instruments			
Cross-currency interest rate swaps		-	15.2
Interest basis swaps		-	0.2
Total current financial assets		**97.7**	**803.0**
Non-current financial assets			
Derivative financial instruments			
Cross-currency interest rate swaps		29.2	229.6
		29.2	229.6
Derivative financial instruments			
Interest basis swaps		-	0.9
Total non-current financial assets		**29.2**	**230.5**
Total financial assets		**126.9**	**1,033.5**
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals		103.4	106.3
Short-term borrowings	18(a)	220.0	320.8
Provisions		0.7	37.2
		324.1	464.3
Derivative financial instruments			
Interest rate swaps - cash flow hedges		1.9	3.0
Total current financial liabilities		**326.0**	**467.3**
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18(a)	1,172.8	1,824.4
Other term liabilities		2.8	2.1
		1,175.6	1,826.5
Derivative financial instruments			
Interest rate swaps - cash flow hedges		67.9	134.6
Total non-current financial liabilities		**1,243.5**	**1,961.1**
Total financial liabilities		**1,569.5**	**2,428.4**

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

Amounts subject to potential offset
The group’s derivative financial instruments are subject to enforceable master netting arrangements. Each agreement allows the parties to elect net settlement of the relevant financial assets and liabilities in the event of default of the other party. The group's financial statements do not offset assets and liabilities with the same counterparties. Instead, it reports each derivative as either an asset or liability. However, if offsets were enforced by either party, the potential net amounts (assets less liabilities) would be derivative financial liabilities of $40.6 million (2020: derivative financial assets of $108.3 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(a) Borrowings

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

	Maturity	Coupon[1]	2021 $M	2020 $M
Current				
Commercial paper	< 3 months	Floating	92.0	91.9
Bank facility	31/01/2022	Floating	62.0	-
Bank facility	28/02/2022	Floating	66.0	-
Bonds	28/05/2021	5.52%	-	150.0
USPP notes	15/02/2021	4.42%	-	78.9
Total short-term borrowings			220.0	320.8
Non-current				
Bank facility	31/01/2022	Floating	-	10.0
Bank facility	28/02/2022	Floating	-	45.0
Bank facility	20/11/2022	Floating	83.0	-
Bank facility	30/11/2022	Floating	29.0	40.0
Bank facility	28/02/2023	Floating	15.0	15.0
Bank facility	16/08/2024	Floating	55.0	95.0
Bonds	11/10/2022	Floating	100.0	100.0
Bonds	9/11/2022	4.28%	100.0	100.0
Bonds	17/04/2023	3.64%	100.0	100.0
Bonds	2/11/2023	3.97%	225.0	225.0
Bonds	10/10/2024	3.51%	150.0	150.0
USPP notes	12/07/2021[2]	4.67%	-	80.0
USPP notes	15/02/2023[2]	4.57%	-	84.0
USPP notes	25/11/2026[2]	3.61%	-	449.5
AMTN notes	23/09/2027	4.50%	315.8	330.9
Total term borrowings			1,172.8	1,824.4
Total				
Commercial paper			92.0	91.9
Bank facilities			310.0	205.0
Bonds			675.0	825.0
USPP notes			-	692.4
AMTN notes			315.8	330.9
Total borrowings			1,392.8	2,145.2

1 The coupon interest rate is the interest rate received by the group's lenders and does not reflect the group's total cost of borrowing. The group's total cost of borrowing may be higher or lower than the coupon, reflecting the impacts of hedging and amortised transaction costs.
2 In June 2021, the group elected to prepay outstanding USPP notes. Further details are provided on the following page.

Movement in borrowings

	2021 $M	2020 $M
Total borrowings at the beginning of the year	2,145.2	2,190.4
Decrease in borrowings during the year	(714.9)	(250.0)
Increase in borrowings during the year	105.0	125.0
Amortisation of premium received for issue at non-market rates	(0.4)	-
Revaluation of foreign denominated debt for changes in FX rate	(53.7)	31.0
Revaluation of debt in fair value hedge relationship	(88.4)	48.8
Total borrowings at the end of the year	1,392.8	2,145.2

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

In the year ended 30 June 2021, the only bank financing activities undertaken by the company were draw downs on current standby bank facilities totalling $105.0 million.

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

In February 2021, the US$50.0 million 2010 Series A USPP notes were repaid upon maturity. The notes had a cross-currency swap hedging them at the same exchange rate as when the borrowings were undertaken, resulting in a net outflow of $64.8 million.

In May 2021, the $150.0 million seven-year 5.52% fixed-rate bond was repaid upon maturity.

In June 2021, the group elected to prepay the remaining outstanding USPP notes totalling US$350.0 million. All USPP notes were hedged with cross-currency swaps and had related basis reset swaps that were closed out at the same time.

Prepayment of the notes required 'make-whole' payments of $44.4 million to compensate investors for the effect of reduced interest rates available to them on reinvestment of the proceeds. The make-whole payments were partially offset by gains of $32.0 million on the related cross-currency swaps. This has resulted in a net expense of $12.4 million recognised as an interest expense.

Basis swaps not in a hedging relationship but related to the USPP notes were also closed out. Settlement of these swaps provided an inflow to Auckland Airport of $0.6 million.

The financial covenant waivers, granted by the group's banks, remain in place until December 2021 (inclusive). The group's banks have agreed to modify the interest coverage covenant from 1 January 2022. The modified covenant will convert from the previous 1.5x EBIT-based measure to a new EBITDA-based measure that steps up progressively broadly in line with the anticipated recovery in international passengers. The EBITDA-based interest coverage covenant will start at 2.0x for calendar 2022, rising to 2.5x for calendar 2023 and settling at 3.0x for calendar 2024 onwards. As previously, there will be two measurement dates each year, ie 30 June and 31 December.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(b) Hedging activity and derivatives

Cash flow hedges

At 30 June 2021, the group held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount (in NZD). The notional amount of the interest rate swaps in a cash flow hedge at 30 June 2021 is $1,250.0 million (2020: $1,455.0 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on existing and future bank facilities, commercial paper and floating rate bonds. The interest payment frequency on these borrowings is quarterly.

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

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

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

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

Cross-currency swaps

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

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

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

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

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

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

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

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

	2021 $M	2020 $M
Gains/(losses) on the USPP notes	80.3	(60.4)
Gains/(losses) on the AMTN notes	14.5	(19.7)
Gains/(losses) on the derivatives	(97.2)	79.0

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

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

	2021 $M	2020 $M
Basis swaps transacted as hedges but not qualifying for hedge accounting	(1.1)	(0.6)
Credit valuation adjustments on hedges qualifying for hedge accounting	0.6	(1.3)
Derivative fair value change	(0.5)	(1.9)

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

The details of the hedging instruments as at 30 June 2021 and 30 June 2020 are as follows:

						Carrying amount of the hedging instrument		Change in value used for calculating hedge effectiveness
	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Assets	Liabilities	
As at 30 June 2021						$M	$M	$M
Cash flow hedges								
Interest rate swaps	NZD	3.55%	0 - 8	NZ $1,250 million	Derivative financial instruments	-	69.8	(66.4)
Fair value and cash flow hedges								
Cross-currency swaps	NZD:AUD	Floating	6	AU $260 million	Derivative financial instruments	29.2	-	24.6
Net hedging instruments						29.2	69.8	(41.8)

						Carrying amount of the hedging instrument		Change in value used for calculating hedge effectiveness
	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Assets	Liabilities	
As at 30 June 2020						$M	$M	$M
Cash flow hedges								
Interest rate swaps	NZD	3.68%	0 - 9	NZ $1,455 million	Derivative financial instruments	-	137.6	(134.2)
Fair value and cash flow hedges								
Cross-currency swaps	NZD:USD	Floating	1 - 6	US $400 million	Derivative financial instruments	199.9	-	174.9
Cross-currency swaps	NZD:AUD	Floating	7	AU $260 million	Derivative financial instruments	44.9	-	38.8
Net hedging instruments						244.8	137.6	79.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

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

The details of hedged items as at 30 June 2021 and 30 June 2020 are as follows:

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

	Statement of financial position line item	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in value used for calculating hedge effectiveness
		Assets	Liabilities	Assets	Liabilities	
As at 30 June 2020		$M	$M	$M	$M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	-	-	515.0	-	-	49.6
Highly probable forecast variable rate debt	-	-	-	-	-	93.0
Fair value and cash flow hedges						
USPP notes (US$50 million)	Short-term borrowings	-	78.9	-	14.1	(13.8)
USPP notes (US$400 million)	Term borrowings	-	613.5	-	188.4	(164.1)
AMTN notes (AU$260 million)	Term borrowings	-	330.9	-	42.4	(39.6)
Net hedged items		-	1,538.3	-	244.9	(74.9)

(c) Fair value

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

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

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

There have been no transfers between levels of the fair value hierarchy in the year ended 30 June 2021 (2020: Nil).

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

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

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	675.0	710.9	825.0	878.9
USPP notes	-	-	692.4	697.3
AMTN notes	315.8	323.6	330.9	316.0

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

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

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

(d) Financial risk management objectives and policies

(i) Credit risk

The group's maximum exposure to credit risk at 30 June 2021 is equal to the carrying value of cash, accounts receivable, dividends receivable and derivative financial instruments. Credit risk is managed by restricting the amount of cash and marketable securities that can be placed with any one institution, which will be either the New Zealand Government or a New Zealand registered bank with an appropriate international credit rating. The group minimises its credit risk by spreading such exposures across a range of institutions, with Standard & Poor's credit ratings of 'A' or above (2020: 'A' or above).

Auckland Airport's cash and cash equivalents decreased significantly at 30 June 2021 compared to last financial year, following the repayment of a $150.0 million fixed-rate bond and $564.9 million repayment of USPP notes. Further details on the prepayments can be found in note 18(a).

The group's credit risk is also attributable to accounts receivable, which principally comprise amounts due from airlines, tenants and retail licensees. At 30 June 2021, the group identified $3.4 million of accounts receivable relating to customers who are at risk of not being able to meet their payment obligations (2020: $7.6 million), refer to note 14.

The group has a policy that manages exposure to credit risk by way of requiring a performance bond for material lease contracts or other customers whose credit rating or history indicates that this would be prudent. The value of performance bonds for the group is $2.7 million (2020: $2.1 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(ii) Liquidity risk

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

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2021, this undrawn facility headroom was $831.7 million (2020: $936.3 million). The group's policy also requires the spreading of debt maturities.

Bank facilities

				2021			2020		
Type	Bank	Maturity	Facility currency	Available NZ $M	Drawn NZ $M	Undrawn NZ $M	Available NZ $M	Drawn NZ $M	Undrawn NZ $M
Multi-currency facility	ANZ Bank New Zealand	31/1/2022	NZD	100.0	32.0	68.0	100.0	-	100.0
Multi-currency facility	Bank of China (New Zealand)	31/1/2022	NZD	30.0	30.0	-	30.0	10.0	20.0
Multi-currency facility	Bank of New Zealand	28/2/2022	NZD	50.0	40.0	10.0	50.0	40.0	10.0
Multi-currency facility	Bank of New Zealand	28/2/2023	NZD	80.0	-	80.0	80.0	-	80.0
Multi-currency facility	China Construction Bank Corporation	16/11/2022	NZD	95.0	83.0	12.0	95.0	-	95.0
Multi-currency facility	China Construction Bank Corporation	3/4/2024	NZD	30.0	-	30.0	30.0	-	30.0
Multi-currency facility	Commonwealth Bank of Australia	30/11/2022	AUD	96.7	29.0	67.7	96.3	40.0	56.3
Multi-currency facility	Mizuho Bank, Ltd. Sydney Branch OBU	3/4/2022	NZD	70.0	-	70.0	70.0	-	70.0
Multi-currency facility	Mizuho Bank, Ltd. Sydney Branch OBU	26/7/2024	NZD	100.0	55.0	45.0	100.0	95.0	5.0
Multi-currency facility	MUFG Bank, Ltd.	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
Multi-currency facility	MUFG Bank, Ltd.	28/2/2023	NZD	50.0	15.0	35.0	50.0	15.0	35.0
Multi-currency facility	Westpac New Zealand Limited	28/2/2022	NZD	50.0	26.0	24.0	50.0	5.0	45.0
Multi-currency facility	Westpac New Zealand Limited	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
			Total NZD equivalent	**1,141.7**	**310.0**	**831.7**	**1,141.3**	**205.0**	**936.3**

The following liquidity risk disclosures reflect all undiscounted principal repayments and interest payments resulting from recognised financial liabilities and financial assets as at 30 June 2021. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. Liquid non-derivative assets comprising cash and receivables are considered in the group's overall liquidity risk. The group ensures that sufficient liquid assets or committed funding facilities are available to meet all the required short-term cash payments and expects borrowings to roll over.

Undiscounted cash flows on financial assets and liabilities

	Carrying amount $M	Contractual cash flows $M	< 1 year $M	1 to 3 years $M	3 to 5 years $M	> 5 years $M
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	79.5	79.5	79.5	-	-	-
Accounts receivable	18.2	18.2	18.2	-	-	-
Derivative financial assets	29.2	25.7	6.6	8.8	5.1	5.1
Total financial assets	126.9	123.4	104.3	8.8	5.1	5.1
Financial liabilities						
Accounts payable, accruals and other term liabilities	(106.9)	(106.9)	(106.9)	-	-	-
Commercial paper	(92.0)	(92.0)	(92.0)	-	-	-
Bank facilities	(310.0)	(323.1)	(128.0)	(127.0)	(55.0)	-
Bonds	(675.0)	(731.3)	-	(525.0)	(150.0)	-
AMTN notes	(315.8)	(367.9)	-	-	-	(284.5)
Derivative financial liabilities	(69.8)	(73.7)	(17.0)	(28.7)	(20.1)	(7.9)
Interest payable	-	-	(44.2)	(61.0)	(28.5)	(19.1)
Total financial liabilities	(1,569.5)	(1,694.9)	(388.1)	(741.7)	(253.6)	(311.5)
Year ended 30 June 2020						
Financial assets						
Cash and cash equivalents	765.3	765.3	765.3	-	-	-
Accounts receivable	22.3	22.3	22.3	-	-	-
Derivative financial assets	245.9	255.9	35.2	65.1	30.5	125.1
Total financial assets	1,033.5	1,043.5	822.8	65.1	30.5	125.1
Financial liabilities						
Accounts payable, accruals and other term liabilities	(145.6)	(145.6)	(145.6)	-	-	-
Commercial paper	(91.9)	(92.0)	(92.0)	-	-	-
Bank facilities	(205.0)	(221.7)	(80.0)	(105.0)	(20.0)	-
Bonds	(825.0)	(911.9)	(150.0)	(300.0)	(375.0)	-
AMTN notes	(330.9)	(379.0)	-	-	-	(282.6)
USPP notes	(692.4)	(739.0)	(77.5)	(155.5)	-	(394.9)
Derivative financial liabilities	(137.6)	(146.4)	(18.0)	(45.4)	(45.4)	(37.6)
Interest payable	-	-	(74.1)	(115.5)	(67.5)	(54.0)
Total financial liabilities	(2,428.4)	(2,635.6)	(637.2)	(721.4)	(507.9)	(769.1)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

18. Financial assets and liabilities CONTINUED

(iii) Interest rate risk

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

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt and interest rate derivatives that are accounted for as cash flow hedges or fair value hedges. The group's policy is to keep its exposure to borrowings at fixed rates of interest between parameters set out in the group's treasury policy. At year-end, 80.4% (2020: 65.4%) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The hedged forecast future interest payments are expected to occur at various dates between one month and eight years from 30 June 2021 (2020: one month and nine 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:

	2021 $M	2020 $M
Financial assets		
Cash and cash equivalents	79.5	765.3
	79.5	765.3
Financial liabilities		
Bank facilities	100.0	-
Commercial paper	6.9	6.9
AMTN notes	159.5	159.5
USPP notes	-	489.9
	266.4	656.3
Net exposure	186.9	(109.0)

Interest rate sensitivity

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

	2021 $M	2020 $M
Increase in interest rates of 10 basis points		
Effect on profit before taxation	(0.2)	1.1
Effect on equity before taxation	5.9	8.0
Decrease in interest rates of 10 basis points		
Effect on profit before taxation	0.2	(1.1)
Effect on equity before taxation	(5.9)	(8.1)

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

- Effect on profit before tax and effect on equity is based on net floating rate debt and funds on deposit as at 30 June 2021 of $186.9 million (2020: -$109.0 million). Interest rate movements of plus and minus 10 basis points have been applied to this floating rate debt to demonstrate the sensitivity to interest rate risk; and
- Effect on equity is the movement in the valuation of derivatives that are designated as cash flow hedges due to an increase or decrease in interest rates. All derivatives that are effective as at 30 June 2021 are assumed to remain effective until maturity. Therefore, any movements in these derivative valuations are taken to the cash flow hedge reserve within equity and they will reverse entirely by maturity date.

(iv) Foreign currency risk

During the years ended 30 June 2021 and 30 June 2020, the group was exposed to foreign currency risk with respect to Australian and US dollars.

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

Exposure to the US dollar arose from USPP borrowings denominated in that currency. This exposure was fully hedged by way of cross-currency interest rate swaps combined with the basis swaps, hedging US dollar exposure on both principal and interest. The USPP borrowings and associated hedges were repaid and closed out during the year and there is no US dollar exposure at 30 June 2021. Further details are available at notes 18(a) and 18(b).

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

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

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

The following sensitivity analysis is based on the foreign currency risk exposure to the Australian dollar in existence at 30 June 2021 and both the Australian and US dollars at 30 June 2020. Had the New Zealand dollar moved either up or down by 10%, with all other variables held constant, profit before taxation and equity before taxation would have been affected as follows:

	2021 $M	2020 $M
Increase in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	(0.4)	(0.6)
Decrease in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	0.3	0.5

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

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

- The sensitivity was calculated by taking the spot rate as at balance date of 0.9311 for AUD (2020: 0.9350 for AUD and 0.6454 for USD) and moving this spot rate by the reasonably possible movements of plus or minus 10% and then reconverting the foreign currency into NZD with the new spot rate. This methodology reflects the translation methodology undertaken by the group.

(v) Capital risk management

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

The group can maintain or adjust the capital structure by adjusting the level of dividends, changing the level of capital expenditure, issuing new shares, returning capital to shareholders or selling assets to reduce debt. The group monitors the capital structure on the basis of the gearing ratio and by considering the credit rating of the company. In the year to 30 June 2021, Auckland Airport continued with key capital management initiatives including the cancellation of dividends (note 9) and reduction in capital expenditure (note 11 and note 12) to improve the financial position of the group.

The gearing ratio is calculated as borrowings divided by borrowings plus the market value of shareholders' equity. The gearing ratio as at 30 June 2021 is 11.5% (2020: 19.4%). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2021 is 'A- Stable Outlook' (2020: 'A- Stable Outlook').

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

19. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $31.5 million at 30 June 2021 (2020: $91.9 million).

(b) Investment property

The group had contractual obligations to either purchase, develop, repair or maintain investment property for $43.5 million at 30 June 2021 (2020: $64.6 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 30 years (2020: one month and 31 years). Most leases with an initial period over three years include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions. A very small minority can be revised downwards under normal trading conditions. However, some of the retail concession arrangements contain provisions for rental to be adjusted downwards in the event of a fall in passenger numbers.

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

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

	2021 $M	2020 $M
Within one year	107.7	90.8
Between one and two years	93.7	89.9
Between two and three years	82.9	82.3
Between three and four years	73.7	73.2
Between four and five years	64.1	65.6
After more than five years	562.7	590.5
Total minimum lease payments receivable	984.8	992.3

20. Contingent liabilities

Noise mitigation

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

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

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $8.0 million (2020: $8.2 million), refer note 21.

Contractor claims

A contingent liability of $10.1 million (2020: $10.4 million) has been recognised for contractor claims in respect of capital works which are under ongoing independent assessment of both entitlement and value. The group has taken a highly conservative view and recognised as a contingent liability the total uncertified contractor claims.

21. Provisions

Firefighting foam clean-up

The group has an obligation to dispose of PFOS/PFOA contaminated firefighting foam inventory. PFOS/PFOA containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand. The Ministry for the Environment is yet to determine if the airport sector will need to perform any additional decontamination tasks other than disposing of surplus inventory, but our investigations to determine the extent of any contamination are ongoing. The group has provided for the expected disposal costs as outlined in the table below. At this time, the potential cost of any yet to be determined decontamination obligations has not been provided for in the financial statements.

Noise mitigation
Annual projections of aircraft noise levels determine requirements for Auckland Airport to fund noise mitigation packages for dwellings and schools affected by aircraft noise. The company makes an annual offer to affected landowners and, on acceptance of an offer, the group records a provision for the estimated cost of installing that year's mitigation packages. The annual cost varies depending on the extent of properties affected and the number of offers accepted. As disclosed in note 20, it is estimated that further costs on noise mitigation should not exceed $8.0 million (2020: $8.2 million).

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

	Foam disposal $M	Noise mitigation $M	Contract termination $M	Total $M
Year ended 30 June 2021				
Opening balance	0.3	0.6	36.3	37.2
Provisions made during the year	-	0.2	-	0.2
Unused amounts reversed during the year	-	-	(18.3)	(18.3)
Expenditure for the year	(0.1)	(0.3)	(18.0)	(18.4)
Total provisions at year end	0.2	0.5	-	0.7
Year ended 30 June 2020				
Opening balance	0.9	0.5	-	1.4
Provisions made during the year	-	0.8	36.3	37.1
Expenditure for the year	(0.6)	(0.7)	-	(1.3)
Total provisions at year end	0.3	0.6	36.3	37.2

22. Related party disclosures

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

No guarantees have been given or received.

Auckland Council
Auckland Council is a significant shareholder of the company, with a shareholding in excess of 18% (2020: in excess of 18%).

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

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

Transactions with Auckland Council and its subsidiaries are as follows:

	2021 $M	2020 $M
Rates	13.6	13.7
Building consent costs and other local government regulatory obligations	1.5	1.2
Water, wastewater and compliance services	1.3	3.1
Grounds maintenance	1.8	1.9

The amount owing to Auckland Council at 30 June 2021 is $0.2 million (2020: $4.4 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

22. Related party disclosures CONTINUED

Interest of directors in certain transactions
A number of the company's directors are also directors of other companies, and any transactions undertaken with these entities have been entered into on an arm's-length commercial basis, without special privileges. These include engineering works of $6.8 million by Fulton Hogan during the year ended 30 June 2021 (2020: $31.0 million). There are no amounts owing to Fulton Hogan at 30 June 2021 (2020: $0.5 million).

Associate and joint ventures
Refer to note 8 for details of transactions with associate entities and joint ventures as listed below:

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

(b) Key management personnel compensation

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

	Note	2021 $M	2020 $M
Directors' fees		1.3	1.4
Senior management's salary and other short-term benefits		3.9	5.9
Senior management's share-based payments	23(b)	0.6	0.5
Total remuneration		5.8	7.8

23. Share-based payment plans

(a) Employee share purchase plan

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

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

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

	2021 Shares	2020 Shares
Shares held on behalf of employees		
Opening balance	305,200	201,100
Shares issued during the year	96,300	102,631
Shares reallocated to employees	32,300	46,669
Shares fully paid and allocated to employees	(56,300)	(21,100)
Shares forfeited during the year	(34,200)	(24,100)
Total shares held on behalf of employees	343,300	305,200
Unallocated shares held by the purchase plan	21,900	20,000
Total shares held by the purchase plan	365,200	325,200

On 5 November 2020, 32,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 96,300 new shares were issued at a price of $5.664, being a 20% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 5 November 2020. On 4 November 2019, 46,669 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 102,631 new shares were issued at a price of $7.933, being a 15% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 4 November 2019.

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

Share rights LTI plan

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

Legacy LTI plan

In October 2015, the directors introduced an equity-settled LTI plan that vests from calendar year 2018 to calendar year 2021. Under the legacy LTI plan, shares are issued and then held in trust for participating executives for a three-year vesting period. The executives are entitled to the dividends on the shares during the vesting period at the same rate as paid to all ordinary shareholders. The vesting rules and performance hurdles are described below.

Vesting rules and performance hurdles

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

Share rights LTI plan

		Number of share rights				
Grant date	Vesting date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
27 September 2019	30 September 2022	161,776[1]	-	-	-	161,776
4 December 2020	1 October 2023	-	213,020	-	-	213,020
Total share rights		161,776	213,020	-	-	374,796

1 The balance at the beginning of the year has been restated to include 11,511 of additional share rights that were granted in the year ended 30 June 2020 but omitted from the 2020 Financial Statements in error. There were no other changes required as a result of this restatement.

Legacy LTI plan

		Number of shares held on behalf of executives				
Grant date	Vesting date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
23 October 2017	23 October 2020	123,094	-	61,547	61,547	-
24 September 2018	24 September 2021	116,385	-	-	-	116,385
Total shares		239,479	-	61,547	61,547	116,385

Fair value of share rights granted

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

Grant date	Vesting date	Grant price	Risk-free interest rate range	Expected volatility of share price	Estimated fair value per share right	Share price at exercise
23 October 2017	23 October 2020	$6.25	1.79 - 3.06%	21.9%	$2.57	$7.36
24 September 2018	24 September 2021	$7.13	1.80 - 2.00%	18.2%	$3.08	N/A
27 September 2019	30 September 2022	$9.25	0.79 - 0.81%	19.8%	$4.01	N/A
4 December 2020	1 October 2023	$7.03	0.04 - 0.18%	35.0%	$3.41	N/A

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

The share-based payment expense relating to the LTI plan for the year ended 30 June 2021 is $0.2 million (2020: $0.2 million) with a corresponding increase in the share-based payments reserve (refer note 16(c)).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

24. Events subsequent to balance date

On 23 July 2021, the New Zealand Government announced the suspension of quarantine-free trans-Tasman travel until 17 September 2021, and this initial eight-week suspension might be extended. As a result, Auckland Airport brought forward its planned bank discussions regarding extending bank facilities due to mature over January-April 2022 and modifying the interest coverage covenant after the current waiver expires on 1 January 2022. The company is very pleased with the support provided by all eight banks which has resulted in $688 million of facilities being extended by between 7-19 months from the original maturity dates and a new EBITDA-based measure (excluding revaluations) for the interest coverage covenant. Further information is available at note 3(d).

On 13 August 2021, the directors of Queenstown Airport resolved that no final dividend would be declared for the year ended 30 June 2021.

On 19 August 2021, the directors of Auckland Airport resolved that no final dividend would be declared for the year ended 30 June 2021.

Deloitte.

Audit Report

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

Opinion

We have audited the consolidated financial statements of Auckland International Airport Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 21 to 74, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Fair Value of Revalued Property, Plant and Equipment	
Land, buildings and services, runway, taxiways, aprons and infrastructure property, plant and equipment ('Revalued PPE') are recorded on the statement of financial position at their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses (if any). The Group revalues these assets at regular intervals that are sufficient to ensure that the carrying values are not materially different to their fair values. The carrying value of these assets as at 30 June 2021 is $6,726.4 million. Land assets were revalued at 30 June 2021. A revaluation gain of $769.9 million is recognised in other comprehensive income, which is offset by a revaluation loss of $7.5 million recognised in the income statement. Buildings and services assets were last revalued at 30 June 2019. Runway, taxiways and aprons, and infrastructure were last revalued at 30 June 2020. The Group did not carry out revaluations in 2021 on these assets as it assessed there has been no material change in fair values. The Group's assessment considered movements in the relevant capital goods price indices and other relevant market indicators. Note 11 to the financial statements provides summary information about each class of Revalued PPE, including descriptions of the valuation methodologies used in the latest valuations. Due to the effects of COVID-19, the valuations of land associated with car park facilities and retail facilities within the terminal buildings at 30 June 2021 remain subject to material valuation uncertainty and therefore the valuers have advised that less certainty should be attached to their valuations than would normally be the case. The valuations of airfield land, reclaimed land, and aeronautical land associated with aircraft, freight and non-retail terminal use at 30 June 2021 are not subject to material valuation uncertainty. At 30 June 2021 runways, taxiways and aprons, and infrastructure assets are no longer subject to significant market uncertainty. We consider the fair value of Revalued PPE to be a key audit matter due to the materiality of the carrying amounts to the financial statements and the judgement involved in determining their fair values, including those that relate to the impacts of COVID-19.	In relation to the land assets revalued in the current year, our audit procedures focused on the valuation process, methodologies and key inputs. We evaluated the Group's processes in respect of the independent valuations including the selected valuation methodologies, the internal data provided to the valuers where relevant, and the reconciliation of the valuations to the asset register. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the continued impact of COVID-19 with valuers. Our procedures included: • Reading the valuation reports for all properties, considering whether the methodology applied was appropriate for the asset being valued, and ensuring the reports considered the impacts of COVID-19; • Assessing the methodology for consistency with prior valuations and considering whether any changes to the methodology were required; • Testing the key inputs to the valuations across a sample of properties by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that these were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations. For all other PPE carried at fair value, our audit procedures focused on the appropriateness of the Group's assessment that the carrying value is not materially different to fair value. Our procedures included: • Assessing whether the capital goods price indices used by the Group are appropriate; • Comparing the capital goods price indices and other relevant inputs to observable market data and testing the accuracy of the Group's calculation of changes; and • Considering the appropriateness of the Group's assessment that carrying values are not materially different to fair value, including the Group's consideration of the impact of COVID-19.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
Investment properties of $2,641.4 million are recorded at fair value in the statement of financial position at 30 June 2021. A revaluation gain of $527.3 million is recognised in the income statement. Revaluations are carried out annually by independent registered valuers. Estimating the fair values requires judgement and the models used include both observable and non-observable inputs. Vacant land ($414.3 million) is valued using a direct sales comparison. Retail and service, industrial, and other investment properties ($2,227.1 million) are valued using discounted cash flow models. The significant inputs to the discounted cash flow models are market rental rates, rental growth rates and discount rates. Note 12 to the financial statements provides summary information about the investment properties held by the Group and quantitative information about the key inputs to the valuation models. Note 11 (c) describes the methodologies used and provides qualitative information about the sensitivity of the models to changes in the key inputs. As at 30 June 2021, the material valuation uncertainty has been removed on all investment property valuations except for those relating to the hotels in the Group's retail and service investment property portfolio. The total carrying value of the hotels is $67.5 million. We consider the valuation of investment properties to be a key audit matter due to the materiality of revaluation gains and carrying amounts to the financial statements and the judgement involved in determining their fair values, including those that relate to the impacts of COVID-19.	Our audit procedures focused on the appropriateness of the valuation methodologies and key inputs applied in the models. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the continued impact of COVID-19 with valuers. We read the valuation reports for all properties and considered whether the methodology applied was appropriate for the property being valued. We assessed the methodology for consistency with the prior period and considered whether any changes to the methodology were appropriate. We performed testing on a sample of the valuation reports. Our procedures included: • Testing the key inputs to the valuations by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that the possible rental losses identified were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations.

Other information

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

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

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

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor’s report.

Restriction on use

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

Deloitte Limited

Andrew Dick, Partner
for Deloitte Limited
Auckland, New Zealand
19 August 2021

Five-year summary

FOR THE YEAR ENDED 30 JUNE 2021

Group income statement	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Income					
Airfield income	64.0	100.6	127.6	122.1	119.6
Passenger services charge	24.2	133.0	185.1	179.1	174.3
Retail income	17.8	141.5	225.8	190.6	162.8
Rental income	115.2	109.2	107.8	97.6	84.9
Rates recoveries	7.8	7.7	6.7	6.0	5.6
Car park income	28.7	50.3	64.2	61.0	56.3
Interest income	4.9	1.7	1.8	2.2	2.3
Other income	18.5	23.0	24.4	25.3	23.5
Total income	281.1	567.0	743.4	683.9	629.3
Expenses					
Staff	45.6	62.9	59.1	57.9	50.5
Asset management, maintenance and airport operations	53.4	77.5	81.1	69.5	55.6
Rates and insurance	20.8	18.0	16.1	13.7	12.2
Marketing and promotions	1.0	8.3	12.7	13.8	16.7
Professional services and levies	3.6	6.2	8.6	11.1	11.4
Fixed asset write-offs, impairment and termination costs	2.5	117.5	-	-	-
Reversal of fixed asset impairment and termination costs	(19.4)	-	-	-	-
Other expenses	6.3	9.5	11.0	11.5	9.8
Expected credit losses/(release)	(4.2)	6.7	-	-	-
Total expenses	109.6	306.6	188.6	177.5	156.2
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	171.5	260.4	554.8	506.4	473.1
Investment property fair value change	527.3	168.6	254.0	152.2	91.9
Property, plant and equipment fair value change	(7.5)	(45.9)	(3.8)	-	-
Derivative fair value change	(0.5)	(1.9)	(0.6)	(0.7)	2.5
Share of profit of associate and joint ventures	21.1	8.4	8.2	16.7	19.4
Gain on sale of associate	-	-	-	297.4	-
Impairment of investment in joint venture	-	(7.7)	-	-	-
Earnings before interest, taxation and depreciation (EBITDA)[1]	711.9	381.9	812.6	972.0	586.9
Depreciation	124.7	112.7	102.2	88.9	77.9
Earnings before interest and taxation (EBIT)[1]	587.2	269.2	710.4	883.1	509.0
Interest expense and other finance costs	94.0	71.8	78.5	77.2	72.8
Profit before taxation	493.2	197.4	631.9	805.9	436.2
Taxation expense	29.0	3.5	108.4	155.8	103.3
Profit after taxation attributable to the owners of the parent	464.2	193.9	523.5	650.1	332.9

1 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Group statement of comprehensive Income	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Profit for the period	464.2	193.9	523.5	650.1	332.9
Other comprehensive income					
Items that will not be reclassified to the income statement					
Property, plant and equipment net revaluation movements	769.9	(599.8)	87.6	1,189.6	-
Tax on the property, plant and equipment revaluation reserve	-	(32.5)	(24.6)	-	-
Movement in share of reserves of associate and joint ventures	8.2	-	-	8.0	7.5
Items that will not be reclassified to the income statement	778.1	(632.3)	63.0	1,197.6	7.5
Items that may be reclassified subsequently to the income statement					
Cash flow hedges					
Fair value gains/(losses) recognised in the cash flow hedge reserve	57.7	(44.5)	(47.1)	(9.5)	15.2
Realised (gains)/losses transferred to the income statement	12.1	(2.2)	1.6	2.9	6.7
Tax effect of movements in the cash flow hedge reserve	(19.5)	13.1	13.3	0.3	(6.1)
Total cash flow hedge movement	50.3	(33.6)	(32.2)	(6.3)	15.8
Movement in cost of hedging reserve	3.9	2.7	(4.8)	-	-
Tax effect of movements in the cash flow hedge reserve	(1.1)	(0.8)	2.3	-	-
Movement in share of reserves of associate and joint ventures	-	-	-	0.4	2.5
Movement in foreign currency translation reserve	-	-	-	0.8	0.2
Items that may be reclassified subsequently to the income statement	53.1	(31.7)	(34.7)	(5.1)	18.5
Total other comprehensive income/(loss)	831.2	(664.0)	28.3	1,192.5	26.0
Total comprehensive income for the period, net of tax attributable to the owners of the parent	1,295.4	(470.1)	551.8	1,842.6	358.9

Group statement of changes in equity	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
At 1 July	6,637.1	6,032.9	5,682.1	4,029.0	3,880.7
Profit for the period	464.2	193.9	523.5	650.1	332.9
Other comprehensive income/(loss)	831.2	(664.0)	28.3	1,192.5	26.0
Total comprehensive income	1,295.4	(470.1)	551.8	1,842.6	358.9
Reclassification to gain on sale of associate	-	-	-	8.5	-
Shares issued	0.6	1,210.4	64.0	55.9	15.6
Long-term incentive plan	0.4	0.2	0.1	0.2	0.1
Dividend paid	-	(136.3)	(265.1)	(254.1)	(226.3)
At 30 June	7,933.5	6,637.1	6,032.9	5,682.1	4,029.0

Group balance sheet	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Non-current assets					
Property, plant and equipment					
Land	4,705.7	3,931.1	4,645.4	4,625.3	3,437.2
Buildings and services	1,079.9	1,140.7	1,056.7	961.8	754.2
Infrastructure	551.7	487.5	403.1	356.2	332.9
Runways, taxiways and aprons	389.1	378.3	346.5	351.5	354.3
Vehicles, plant and equipment	105.6	123.2	125.4	83.2	69.2
	6,832.0	6,060.8	6,577.1	6,378.0	4,947.8
Investment properties	2,641.4	2,054.2	1,745.4	1,425.6	1,198.0
Investment in associate and joint ventures	154.4	114.7	105.7	104.4	171.6
Derivative financial instruments	29.2	230.5	162.6	110.4	82.1
	9,657.0	8,460.2	8,590.8	8,018.4	6,399.5
Current assets					
Cash	79.5	765.3	37.3	106.7	45.1
Inventories	-	-	-	0.2	0.1
Trade and other receivables	25.4	34.7	69.0	71.5	55.5
Dividend receivable	-	-	-	-	2.7
Taxation receivable	20.9	21.6	-	-	-
Derivative financial instruments	-	15.4	-	-	0.6
	125.8	837.0	106.3	178.4	104.0
Total assets	9,782.8	9,297.2	8,697.1	8,196.8	6,503.5
Shareholders' equity					
Issued and paid-up capital	1,679.2	1,678.6	468.2	404.2	348.3
Cancelled share reserve	(609.2)	(609.2)	(609.2)	(609.2)	(609.2)
Property, plant and equipment revaluation reserve	5,099.9	4,333.7	4,968.8	4,913.9	3,729.1
Share-based payments reserve	2.0	1.6	1.4	1.3	1.1
Cash flow hedge reserve	(50.4)	(100.7)	(67.1)	(38.2)	(32.0)
Cost of hedging reserve	(1.1)	(3.9)	(5.8)	-	-
Share of reserves of associate and joint ventures	37.0	28.8	28.8	28.8	20.4
Foreign currency translation reserve	-	-	-	-	(9.3)
Retained earnings	1,776.1	1,308.2	1,247.8	981.3	580.6
	7,933.5	6,637.1	6,032.9	5,682.1	4,029.0
Non-current liabilities					
Term borrowings	1,172.8	1,824.4	1,748.6	1,893.5	1,635.6
Derivative financial instruments	67.9	134.6	88.4	38.9	36.1
Deferred tax liability	279.8	231.7	265.3	251.4	237.8
Other term liabilities	2.8	2.1	1.9	1.8	1.5
	1,523.3	2,192.8	2,104.2	2,185.6	1,911.0
Current liabilities					
Accounts payable	103.4	106.3	102.4	148.0	132.3
Taxation payable	-	-	15.3	12.9	6.4
Derivative financial instruments	1.9	3.0	-	1.3	2.8
Short-term borrowings	220.0	320.8	441.8	166.8	421.1
Provisions	0.7	37.2	0.5	0.1	0.9
	326.0	467.3	560.0	329.1	563.5
Total equity and liabilities	9,782.8	9,297.2	8,697.1	8,196.8	6,503.5

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Group statement of cash flows	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	271.2	586.0	756.0	674.0	615.5
Interest received	4.9	1.6	2.0	2.0	2.3
	276.1	587.6	758.0	676.0	617.8
Cash was applied to:					
Payments to suppliers and employees	(116.5)	(242.5)	(203.6)	(180.5)	(156.3)
Income tax paid	(0.6)	(94.2)	(101.1)	(96.4)	(81.7)
Interest paid	(98.0)	(75.1)	(77.4)	(77.9)	(72.7)
	(215.1)	(411.8)	(382.1)	(354.8)	(310.7)
Net cash flow from operating activities	61.0	175.8	375.9	321.2	307.1
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment	0.4	0.1	-	-	0.1
Proceeds from sale of investment property	-	-	1.5	-	-
Proceeds from sale of investment in associate	-	-	-	357.4	-
Dividends from associate and joint ventures	5.0	14.9	9.2	15.4	20.2
	5.4	15.0	10.7	372.8	20.3
Cash was applied to:					
Purchase of property, plant and equipment	(141.9)	(240.5)	(239.1)	(310.3)	(247.9)
Interest paid - capitalised	(6.5)	(11.8)	(7.0)	(8.8)	(9.9)
Expenditure on investment properties	(58.1)	(136.1)	(81.0)	(77.1)	(81.2)
Investments in associates and joint ventures	(15.4)	(23.2)	(2.3)	-	(18.6)
Costs relating to sale of investment of associate	-	-	-	(10.1)	-
	(221.9)	(411.6)	(329.4)	(406.3)	(357.6)
Net cash applied to investing activities	(216.5)	(396.6)	(318.7)	(33.5)	(337.3)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	-	1,178.1	-	-	0.1
Increase in borrowings	105.0	125.0	150.0	301.1	538.4
Settlement of cross-currency interest rate swaps	79.6	-	-	-	-
	184.6	1,303.1	150.0	301.1	538.5
Cash was applied to:					
Decrease in borrowings	(714.9)	(250.0)	(75.0)	(329.0)	(305.0)
Dividends paid	-	(104.3)	(201.6)	(198.2)	(210.8)
	(714.9)	(354.3)	(276.6)	(527.2)	(515.8)
Net cash flow applied to financing activities	(530.3)	948.8	(126.6)	(226.1)	22.7
Net increase/(decrease) in cash held	(685.8)	728.0	(69.4)	61.6	(7.5)
Opening cash brought forward	765.3	37.3	106.7	45.1	52.6
Ending cash carried forward	79.5	765.3	37.3	106.7	45.1

Capital expenditure	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Aeronautical	48.1	205.0	106.0	280.6	255.4
Retail	0.1	14.0	19.0	12.5	7.2
Property development	72.6	146.6	87.8	80.2	85.7
Infrastructure and other	75.1	52.7	46.0	20.8	12.4
Car parking	1.2	14.7	25.3	11.1	14.0
Total	197.1	433.0	284.1	405.2	374.7

Passenger, aircraft and MCTOW	2021	2020	2019	2018	2017
Passenger movements					
International	602,125	8,473,946	11,517,988	11,266,382	10,820,535
Domestic	5,841,514	7,047,108	9,593,625	9,263,666	8,601,841
Aircraft movements					
International	15,106	44,962	57,082	55,693	54,879
Domestic	83,583	94,175	121,689	118,583	114,366
MCTOW (tonnes)					
International	1,771,014	4,669,929	5,894,112	5,798,018	5,609,244
Domestic	1,637,867	1,830,711	2,372,412	2,341,699	2,238,853