2023 Financial Report

AKL

Building a Better Future

Auckland Airport

Financial Statements

This annual report covers the performance of Auckland International Airport Limited (Auckland Airport) from 1 July 2022 to 30 June 2023. This volume contains our audited financial statements. Overview information and a summary of our performance against financial and non-financial targets for the 2023 financial year are obtained in a separate volume, which may be accessed at report.aucklandairport.co.nz.

Financial report 2023

Introduction

Following a year of strong aeronautical and commercial recovery, Auckland Airport is pleased to present the financial results for the year to 30 June 2023.

With the full reopening of the country's border, the 2023 financial year saw a strong recovery in travel as people returned to the skies to visit friends, family, holiday and travel for business. Coupled with this increase in travel, Auckland Airport saw a recovery in the airport's international network with 25 airlines connecting Auckland to 40 destinations around the globe during the 2023 financial year, up from 17 airlines and 28 destinations in the prior year. This provided greater choice for Kiwi travellers and bolstered the recovery in our important tourism industry.

On 8 June 2023, Auckland Airport reset its aeronautical prices for the remainder of the price setting event for the 2023 to 2027 financial years (PSE4). We are committed to delivering much-needed investment in aeronautical infrastructure at Auckland Airport and the price setting announcement set out our long-term roadmap for upgrading New Zealand's busiest gateway. The 10-year roadmap sets out the regulated investment including the construction of a new domestic terminal, investment in contingent runway operations to safeguard resilience, a new baggage system to transform luggage handling, airfield upgrades, a new transport hub as well as important investment in roading. This investment will allow us to continue to cater for tourism and trade growth to New Zealand, improve the customer and passenger experience and also deliver improved efficiencies.

With improved financial performance coming from the recovery in passenger numbers and confidence around the future, Auckland Airport will resume the payment of dividends to shareholders with the announcement of a final dividend for the year ended 30 June 2023.

As travellers continue to return, we remain confident about the future. We are committed to delivering a new, connected national gateway that does justice to Auckland, New Zealand and the expectations of our global visitors when they come to Aotearoa New Zealand. During this period of investment, we remain focused on delivering excellent customer service and financial results. Through an unwavering focus customer service, while also investing for future needs, we will continue to deliver strong results for our customers, our community, our country, our people and our investors.

This financial report analyses our results for the 2023 financial year and its key trends. It covers the following areas:

- 2023 Financial performance;
- 2023 Financial position; and
- 2023 Returns for shareholders.

2023 Financial performance

This financial performance summary provides an overview of the financial results and key trends for the year ended 30 June 2023 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.

A summary of the financial results for the year to 30 June 2023 and the 2022 comparative is shown in the table below.

	2023 $M	2022 $M	Change
Income	625.9	300.3	108%
Operating expenses	228.8	155.8	47%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	**397.1**	**144.5**	**175%**
Reported profit after tax	43.2	191.6	(77)%
Underlying profit after tax	**148.1**	**(11.6)**	**1,377%**
Earnings per share (cents)	2.9	13.0	(78)%
Underlying earnings per share (cents)	10.1	(0.8)	1,363%
Ordinary dividends for the full year			
- cents per share	4.0	-	n/a
- dollars	58.9	-	n/a

In the 2023 financial year, revenue increased by 108% on the prior year to $625.9 million reflecting the recovery in travel and ongoing investment property development.

Aeronautical revenues increased 132% to $219.5 million reflecting the significant increase in higher-value international passengers in the year. The recovery in international travel enabled a reopening of the stores in the international terminal driving a 477% increase in Retail revenue to $130.9 million.

Carparking income rose 120% to $57.7 million, as the heightened traveller preference for using own cars over public transport, taxis and ride share that arose during the pandemic continued into the 2023 financial year. The two hotels located on the precinct traded well in the year, with occupancy rising significantly during the year and averaging 75% for the financial year. Property rental income delivered another year of strong growth, up 32% in the period, reflecting a mix of newly completed developments and rental growth from the existing portfolio.

Operating expenses rose 47% in the year to $228.8 million as the recovery in aviation necessitated higher staff numbers and an increase in asset management, maintenance and airport operations to service the recovery in aviation activity.

Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) rose 175% to $397.1 million in the year as economies of scale enabled EBITDAFI margin to increase to 63%, up from 48% in the year to 30 June 2022.

Our reported profit after taxation for the 2023 financial year was down 77% to $43.2 million, driven in part by a $139.7 million investment property revaluation loss. After removing the impact of investment property and other revaluation movements booked to the income statement, Auckland Airport reported an increase in underlying profit after taxation to $148.1 million.

In June 2023, your Board revised Auckland Airport's dividend policy to pay 70% to 90% 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 range, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time. Reflecting our confidence in the ongoing recovery in travel, Auckland Airport has declared a final dividend for the year to 30 June 2023 of 4.0 cents per share. This is our first dividend payment since payment of the final dividend for the 2019 financial year in October 2019.

Underlying profit is how we measure our financial performance

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

For several years, Auckland Airport has referred to underlying profit alongside reported results. We do so when we report our results, but also when we give market earnings guidance (where we exclude fair value changes and other one-off items) or when we consider dividends. However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result.

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2023 and 2022.

	2023			2022		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per Income Statement[1]	397.1	-	397.1	144.5	-	144.5
Investment property fair value change	(139.7)	139.7	-	204.4	(204.4)	-
Property, plant and equipment fair value change	(15.6)	15.6	-	(1.4)	1.4	-
Fixed asset write-offs, impairments and termination costs	-	2.8	2.8	-	6.9	6.9
Derivative fair value change	(0.7)	0.7	-	1.7	(1.7)	-
Share of profit / (loss) of associate and joint ventures	11.1	(3.6)	7.5	(12.8)	17.2	4.4
Depreciation	(145.3)	-	(145.3)	(113.1)	-	(113.1)
Interest expense and other finance costs	(62.7)	-	(62.7)	(53.7)	-	(53.7)
Taxation (expense) / benefit	(1.0)	(50.3)	(51.3)	22.0	(22.6)	(0.6)
Profit / (loss) after tax	**43.2**	**104.9**	**148.1**	**191.6**	**(203.2)**	**(11.6)**

1 2023 EBITDAFI included fixed asset write-offs, impairments and termination costs of $3.8 million. 2022 included $6.9 million.

2023 Financial performance CONTINUED

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2023 and 2022:

- we have reversed out the impact of revaluations of investment property in 2023 and 2022. 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, runways, taxi ways, aprons and infrastructure classes of assets within property, plant and equipment in 2023 and land and building classes of assets within property, plant and equipment in 2022;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2023 and 2022. These fixed asset write-offs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
- we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;
- in addition, we have adjusted the share of profit of associates and joint ventures in both 2023 and 2022 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 2023 and 2022 financial years.

Revenue

In the 2023 financial year, revenue increased by 108% to $625.9 million with the recovery in international travel driving higher revenue across all passenger-driven lines of business.

The table below summarises revenue by line of business for the financial year to 30 June 2023 and the prior period comparative.

	2023 $M	2022 $M	Change
Operating revenue			
Airfield landing charges	75.6	46.5	63%
Aircraft parking charges	11.0	14.4	(24)%
Total airfield income	86.6	60.9	42%
Passenger services charge	132.9	33.8	293%
Total aeronautical income	219.5	94.7	132%
Retail income	130.9	22.7	477%
Car park income	57.7	26.2	120%
Total retail and car park income	188.6	48.9	286%
Rental income - Property	142.9	112.9	27%
Rental income - Aeronautical	26.7	16.0	67%
Rental income - Retail	1.0	0.8	25%
Total rental income	170.6	129.7	32%
Rates recoveries	12.7	8.6	48%
Interest income	3.2	0.3	967%
Flood related income	5.0	-	
Other income	26.3	18.1	45%
Total revenue	**625.9**	**300.3**	**108%**

Airfield income

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

Total airfield income increased by $25.7 million, or 42%, to $86.6 million with 144,421 aircraft movements, up 68% from the prior year reflecting the increase in air services as a result of the removal of travel restrictions both in New Zealand and around the world.

Total MCTOW across both international and domestic landings increased by 76% in the year, driven by the strong recovery in international services which are typically provided by larger aircraft compared to the smaller domestic equivalent.

2023 Financial performance CONTINUED

	2023	2022	Change
Aircraft movements			
International	42,423	18,315	132%
Domestic	101,998	67,748	51%
Total aircraft movements	**144,421**	**86,063**	**68%**
MCTOW (tonnes)			
International MCTOW	4,043,717	2,115,128	91%
Domestic MCTOW	2,028,201	1,343,150	51%
Total MCTOW	**6,071,918**	**3,458,278**	**76%**
Cargo volume			
Volume of international cargo movements (tonnes)	165,503	180,941	(9)%

Airfield parking charges income was $11.0 million in the 2023 financial year, a decrease of 24% on the prior year, driven by fewer aircraft being parked on the airfield given increased aircraft movements.

Cargo

Cargo volumes transiting through Auckland Airport were down 9% in the year to 30 June, consistent with a global decline in air cargo driven by weaker factory activity and a significant reduction in ocean shipping prices.

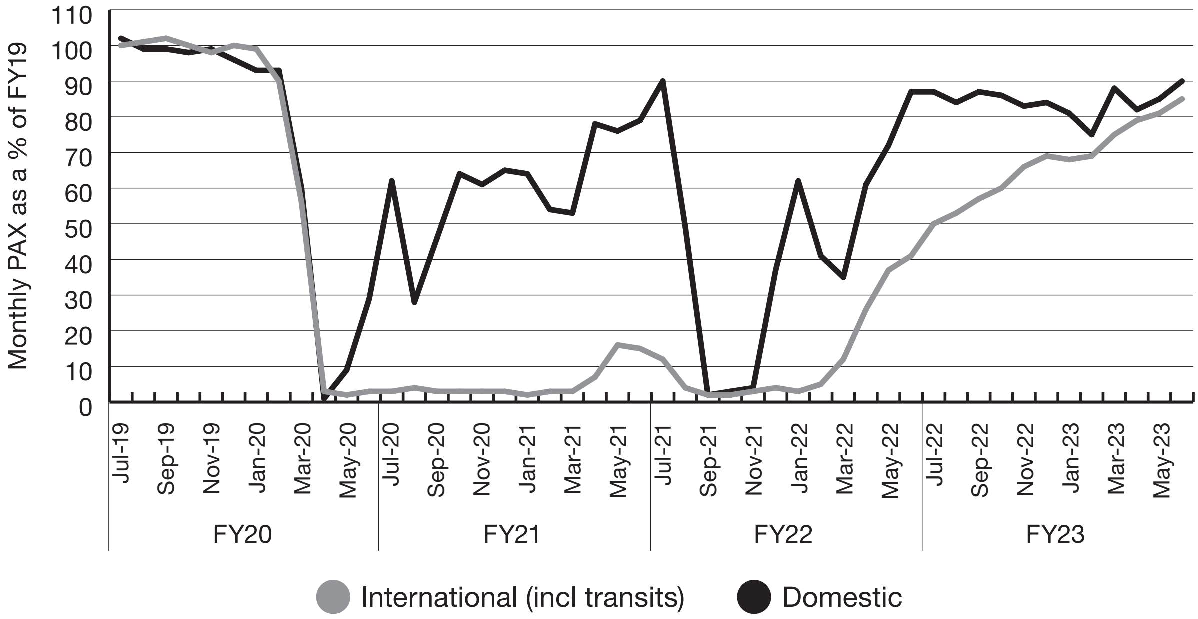
Passenger services charge

Passenger services charge (PSC) income increased by 293% to $132.9 million in the 2023 financial year as a result of increased passenger movements.

Passenger movements are a significant driver of value for Auckland Airport, with the majority of aeronautical revenue coming from PSCs.

	2023	2022	Change
Total aircraft seat capacity			
International aircraft seat capacity	9,501,003	2,385,277	298%
Domestic aircraft seat capacity	9,435,382	6,014,790	57%
Total seat capacity			
Auckland Airport passenger movements			
International arrivals	3,635,079	596,104	510%
International departures	3,539,392	656,657	439%
International passengers excluding transits	**7,174,471**	**1,252,761**	**473%**
Transit passengers	599,084	88,114	580%
Total international passengers	**7,773,555**	**1,340,875**	**480%**
Domestic passengers	8,087,709	4,261,271	90%
Total passenger movements	**15,861,264**	**5,602,146**	**183%**

Monthly passenger volumes



International passenger movements

International passenger numbers, excluding transits, increased by 473% or 5.9 million passengers in the year to 30 June 2023, up to 7.2 million in the year and recovering to 86% of the 2019 financial year pre-COVID equivalent by the end of the year. This was a very strong outcome versus the 1.3 million international passenger movements seen in the year to 30 June 2022, a year that was still significantly disrupted by a closure of the country's border.

Our work to grow reconnect Auckland and with it, New Zealand to the world has been very successful with the number of international airlines operating at Auckland Airport growing from 17 in the 2022 financial year to 25 in 2023. The increased number of airlines has driven significantly higher capacity across all international markets, with the number of international destinations available for travellers similarly growing from 28 in the 2022 financial year to 40 in 2023 financial year.

With travel restrictions removed, it was pleasing to see New Zealanders once again travelling to undertake business, go on holidays or reconnect with friends, family or loved ones. This resulted in international arrivals by Kiwis who reside in New Zealand being up 452% to 1,774,116.

The full reopening of the border also bolstered our tourism industry which brings financial benefits to businesses across New Zealand. The additional services to the United States helped deliver an increase in American visitor arrivals of 205,314 or 1396% and Australian visitors increased by 532,952 (353%). Arrivals from China increased by 72,539 or 1203% following a welcome return of Chinese passengers services late in the third quarter of the financial year.

2023 Financial performance CONTINUED

The table below shows the top 20 volumes of passenger arrivals by country of last permanent residence to Auckland Airport in the 2023 financial year.

Country of last permanent residence	International passenger arrivals				
	2023	2022	Change	Share of total 2023 arrivals	Share of total 2022 arrivals
New Zealand	1,774,116	321,636	452%	49%	54%
Australia	684,129	151,177	353%	19%	25%
United States of America	220,026	14,712	1,396%	6%	2%
United Kingdom	130,981	17,272	658%	4%	3%
China, People's Republic of	78,569	6,030	1,203%	2%	1%
India	66,610	6,434	935%	2%	1%
Canada	48,484	4,476	983%	1%	1%
Germany	38,689	2,096	1,746%	1%	0%
Fiji	33,410	2,715	1,131%	1%	0%
Korea, Republic of	33,072	2,152	1,437%	1%	0%
Japan	32,782	1,895	1,630%	1%	0%
Singapore	28,547	3,990	615%	1%	1%
French Polynesia	20,824	1,093	1,805%	1%	0%
South Africa	19,656	2,578	662%	1%	0%
Taiwan	19,272	1,089	1,670%	1%	0%
Malaysia	19,199	1,980	870%	1%	0%
France	18,754	1,442	1,201%	1%	0%
Samoa	18,505	5,877	215%	1%	1%
Hong Kong (Special Administrative Region)	16,397	2,739	499%	0%	0%
Tonga	15,834	1,528	936%	0%	0%
Source: Statistics New Zealand					

Visitor arrivals by purpose of visit

The most common purpose of international arrivals to New Zealand continued to be holidays (17%) and visiting friends and relatives (20%).

Purpose of visit		2023	2022	Change	Share of total
Foreign residents	Holiday/vacation	599,217	25,945	2,210%	17%
	Visit friends/relatives	702,234	134,021	424%	20%
	Business/conference	165,536	23,735	597%	5%
	Education/medical	29,344	2,009	1,361%	1%
	Other (Incl. not stated/not captured)	216,091	40,630	432%	6%
New Zealand residents		1,774,116	321,636	452%	51%
Source: Statistics New Zealand					

Domestic passenger movements

Domestic passenger movements increased by 90% or 3.8 million passenger movements in the year to 30 June 2023, recovering to 90% of the 2019 equivalent by the end of the year. This growth was delivered through increased passenger movements on main trunk jet services which were up 88%. Regional passenger movements also grew, up 97% in the year.

Reflecting COVID-19 related airline capacity shortages, domestic load factors (and air fares) remained elevated in the year, averaging 86% on services out of Auckland, versus the pre-COVID equivalent of 84%. Load factors increased despite the higher average fares seen throughout the year.

At 30 June 2023, domestic capacity remains 89% of the pre-COVID equivalent with the number of aircraft operating in the domestic market, particularly the main trunk routes, below their pre-COVID equivalent.

Aeronautical prices

In January 2022, Auckland Airport's Board agreed to hold aeronautical charges for the first year of Price Setting Event 4, being the financial year to 30 June 2023, flat with prices in 2022.

On 8 June 2023, Auckland Airport announced its aeronautical charges for the remaining four-year period of Price Setting Event 4 to 30 June 2027. Following holding aeronautical charges flat for the first year, charges are scheduled to rise in each of the remaining years of the pricing period due to the combined effects of recovering the $100 million-plus shortfall in aeronautical revenues earned in year one due to the price freeze, higher target return than the previous pricing period, the significant aeronautical capital investment to be delivered during PSE4 and the lower total passenger numbers forecast for PSE4 than was forecast when PSE3 prices were set.

	2022 ($)	2023 ($)	2023 price change	2024 ($)	2024 price change %
International PSC[1]	15.49	15.49	0%	21.20	37%
Domestic PSC[1]	3.10	3.10	0%	5.05	63%
Regional PSC[1]	2.64	2.64	0%	4.53	72%
Transits PSC[1]	6.24	6.24	0%	21.20	240%

1 PSC charges applied to passengers two years and older.

The PSC for transit passengers will increase in the 2024 financial year to align with that paid with international passengers, but the transits PSC will continue to apply only to the inbound movement. This adjustment best reflects the usage of the terminal infrastructure by transit passengers and is consistent with the transit charges of other airports.

Retail income

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

2023 Financial performance CONTINUED

With the recovery in international travel, the retail precinct in the International Terminal strongly reopened during the year. With the international precinct open for a significant portion of the year, retail income rose by $108.2 million in the year to 30 June 2023 to $130.9 million. Auckland Airport's total retail income per passenger was $8.41 for the year, up 106% on the prior year. This reflects store openings, increased trading hours, strong Rental Car performance, re-opening of the Strata Lounge and an improved contribution from Auckland Airport's online platform, The Mall.

During the year Auckland Airport ran a competitive re-licencing process and subsequently transitioned to a single Duty Free operator model at the International Terminal. In June 2023, Aelia Duty Free (owned by Lagardère Travel Retail SAS) became the sole duty-free retailer operating at Auckland Airport, after successfully winning an extension of its contract in December 2022 until mid-2025. Initial trading observations since the switch to a single operator has been positive with basket sizes and average transaction values in line with pre-COVID equivalent. Income from The Mall and Collection Point increased in the year reflecting an expanded product offering and new luxury operators combined with strong passenger growth driving higher spend during the year.

Car parking income

Car parking income in the 2023 financial year was $57.7 million, an increase of $31.5 million or 120% on the prior year.

The increase in passenger travel resulted in strong income growth for all parking products. Total exits were up 140% in the period across all parking products. The largest increase was in Valet reflecting the competitiveness of Auckland Airport's Valet offering and the closure throughout the 2023 financial year of the closest car park to the international terminal as construction of the Transport Hub progressed.

The average revenue per parking space increased by 135% on the prior year to $5,761 reflecting greater use of higher value Valet product and parking proximate to the terminals. In addition, during the year we saw the average length of stay extend as passengers travelled for longer duration than in the prior year.

Income from parking proximate to the Domestic and International Terminals rose 115% on the prior year, with Domestic parking reaching 102% of the pre-COVID equivalent, but international parking only reaching 60% owing to reduced international parking spaces because of the Transport Hub development. The recovery in travel, reduced parking close to the terminal and the provision of more frequent bus services contributed to an increase in Park & Ride income, reaching 103% of the pre-COVID equivalent.

The table below outlines the number of car parking spaces available at 30 June 2023 and 30 June 2022.

Parking capacity as at 30 June	2023	2022	Change	Change
Domestic Terminal	3,176	3,196	(20)	(1)%
International Terminal	2,638	2,600	38	1%
Park and Ride	1,400	2,000	(600)	(30)%
Valet	1,995	1,995	-	-
Staff	3,172	2,572	600	23%
Total	**12,381**	**12,363**	**18**	**0%**

In June 2022, the main car park outside the International Terminal closed to allow enabling works for the new Transport Hub to begin. Work on the Transport hub is progressing well with the new covered public pickup/drop-off facility expected to open first half of calendar 2024, with the upper levels of parking to follow later that year. The completion of the Transport Hub will add 2,100 car parks proximate to the terminal precinct, a covered public drop off / pick up area, dedicated spaces for Valet, buses, taxis and ride share services.

During the financial year, work began on a new Park & Ride facility located along Puhinui Drive. When completed, Park & Ride South will add 3,000 spaces for staff and public use.

Until the reopening of the Transport Hub and Park & Ride South, Auckland Airport will continue to optimise capacity, including upgrading customers to Valet to provide the required capacity for staff and the travelling public.

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 year to 30 June 2023 was $170.6 million, an increase of $40.9 million, 32% on the prior year.

Commercial Property

Commercial Property rental income, excluding aeronautical and retail rental income was $142.9 million in 2023, an increase of $30.0 million, or 27%, on the prior year. $8.4 million of revenue growth was related to revenue recognised earlier for accounting purposes than actual cash receipts. This is because, for properties with fixed future rental increases, the accounting rules require total revenues over the entire lease period to be divided by the number of years of the lease in order to recognise each year in the financial statements as the average annual rental income. A further $2.7 million reflected the completion of new property assets and the full-year impact of developments completed during the previous financial year, with a further $8.8 million due to net rental increases across the pre-existing portfolio and the removal of $4.9 million of rental abatements that were offered to tenants in 2022 financial year.

Due to significant increases in construction costs and lower levels of vacancy and available development land, market rental growth increased dramatically in FY23. While future rental growth rates are expected to soften, significant rental growth is still expected over the next few years as market review dates are reached on the pre-existing portfolio.

Newly completed developments in the year included those for Healthcare Logistics and Kerry Logistics. Rental income is expected to continue to grow through 2024 and beyond with nine investment property developments currently under construction which are expected to add $40 million in annual rental income.

Rent roll, being the contractual rental income (excluding hotel income) from all existing properties and those under development increased to $147 million in the year, up 15% on the prior year.

The Commercial Property portfolio at 30 June 2023 is valued at $2.9 billion.

Hotels

Income from the ibis Budget Hotel increased compared to the previous financial year reflecting the increase in demand as travel resumed. Occupancy rates increased steadily through the year as demand recovered and more rooms became available for sale as labour shortages were resolved. The hotel also surpassed its average daily rate record twice in the 2023 financial year.

The ibis continues to be one of the highest performing hotels in the country. Together with the Novotel, the Auckland Airport hotel portfolio has established itself as its own market which has been less affected by supply and demand shocks compared to the wider Auckland hotel market.

Other rental income

With travel underway, airlines and rental car companies resumed operations in leased areas of the terminals resulting in rental income of $27.7 million for the year, up from $16.8 million in 2022.

2023 Financial performance CONTINUED

Flood related income

In January 2023, Auckland Airport experienced flash flooding caused by record breaking rainfall, particularly in the international terminal. Both terminals were closed for short periods of time, with domestic flights resuming at midday the following day and international flights in the morning a day later. Auckland Airport has material damage, business interruption and construction works insurance policies in place. During the year ended 30 June 2023, Auckland Airport's insurers agreed to an initial payment of $5.0 million, which has been recognised as income.

Other income

Other income includes utilities, such as the sale of electricity, gas and water reticulation, plus recoverable charges from tenants. Total income from these sources was $26.3 million, an increase of $8.2 million, or 45%, on the previous financial year as transport licence fees increased reflecting the strong recovery in passenger travel.

Expenses

Total expenses including depreciation, interest and taxation were $437.8 million in the 2023 financial year, an increase of $137.2 million, or 46%, on the prior year.

Operating expenses

With the recovery in travel, Auckland Airport prudently scaled up its operations during the year to cater for the increase in activity and also incurred $8.4 million of flood related operating expenses.

Total operating expenses (i.e. excluding depreciation, interest and taxation) were $228.8 million in the 2023 financial year, an increase of $73.0 million, or 47%, on the prior year.

	2023 $M	2022 $M	Change
Operating expenses			
Staff	63.3	50.0	27%
Asset management, maintenance and airport operations	89.8	66.7	35%
Rates and insurance	31.8	21.0	51%
Marketing and promotions	6.7	1.4	379%
Professional services and levies	8.2	4.3	91%
Fixed asset write-offs and termination costs	4.8	6.9	(30)%
Reversal of fixed asset impairment and termination costs	(1.0)	-	
Flood related expense	8.4	-	
Other	19.2	6.1	215%
Expected credit losses	(2.4)	(0.6)	(300)%
Total operating expenses	**228.8**	**155.8**	**47%**
Depreciation	145.3	113.1	28%
Interest	62.7	53.7	17%
Taxation	1.0	(22.0)	105%
Total expenses	**437.8**	**300.6**	**46%**

Staff costs increased by a net $13.3 million, or 27%, in the year. This primarily reflects increased headcount to scale up the business operationally for the ongoing recovery in aviation activity, as the majority of increased staff costs in the infrastructure delivery teams were capitalised to work in progress or commissioned assets during the year. Total employees at Auckland Airport at 30 June 2023 were 579, up 24% on the 468 employees and 30 June 2022.

Asset management, maintenance and airport operation expenses increased by $23.1 million, or 35% in the 2023 financial year. This increase similarly reflects a scaling up of activity-based costs such as outsourced operations including baggage handling, bus services parking operations to service rapidly growing passenger numbers. Repairs and maintenance activities increased as a result of higher activity levels. Following the recent purchase of previously Airways-owned airfield lighting, Auckland Airport has begun a programme to upgrade and improve the reliability of this system. The purchase of these assets and a lift in asset maintenance across the precinct has contributed to a $16.9 million increase in repairs and maintenance in the year.

Rates and insurance expenses increased by $10.8 million, or 51%, in 2023 reflecting higher council and insurance costs.

Marketing and promotional activity increased in the year as Auckland Airport supported airlines to reconnect into Auckland and also supported our commercial partners to reopen their operations to serve the travelling public.

Fees for professional services increased by $3.9 million or 91%, to $8.2 million in the 2023 financial year, reflecting the additional consulting work required to support the recovery of the business and secondly work associated with aeronautical pricing for price setting event 4.

During the 2023 financial year, Auckland Airport wrote-off or impaired a net $3.8 million of fixed assets associated with capital expenditure projects that have now been assessed to be insufficiently certain to be able to deliver future benefit, or where the scope of the capital works is expected to change, rendering certain design expenditure obsolete. Examples include early design works for the long-term Arrivals expansion project at the international terminal and future development of a new regional terminal.

Flood related expenses of $8.4 million were suffered in the financial year in relation to the January 2023 flooding event.

Other expenses increased by $13.1 million to $19.2 million in the 2023 financial year reflecting a loss on the write down of decommissioned assets, increased software as a service costs and higher operating expenses arising from increased hotel activity.

Depreciation

Depreciation expense in the 2023 financial year was $145.3 million, an increase of $32.2 million, or 28%, on the previous financial year. This increase was driven by the increase in the book value of assets as a result of revaluations in 2022, which contributed to an additional $24.4 million in the year. The balance of the increase reflected the combined effects of new assets commissioned in the year and the full year effect of assets commissioned in prior years.

Interest

Gross interest expense increased in the 2023 financial year to $82.1 million, an increase of $20.4 million, or 33%, on the prior year. This reflected the combined effects of higher average debt levels as Auckland Airport continued its investment programme, and the average cost of debt increasing to 5.03% in the year compared to 4.32%.

The increased capital investment also drove an increase in capitalised interest which rose by $11.4 million, or 143% to $19.4 million.

Net interest expense on the income statement increased $9.0 million (or 17%) on the prior year to $62.7 million.

Taxation

Taxation expense was $1.0 million in the 2023 financial year, up from a $22.0 million credit in the prior year. This change largely reflects the deferred tax impact of revaluation movements of the non-land component of investment property and financial derivatives. These fair value movements are excluded from underlying tax, which resulted in an underlying tax expense of $51.3 million, $50.7 million higher underlying tax expense of $0.6 million in 2022. Underlying tax also excludes the tax effect of the reversal of fixed asset write-offs, impairments and termination costs.

2023 Financial performance CONTINUED

Share of profit from associates

Our total share of the profit from associates in the 2023 financial year was $11.1 million, significant up on the $12.8 million share of loss of associates in the 2022 financial year. This profit comprised our share of the Tainui Auckland Airport Hotel Limited Partnership (TAAH) profit of $4.5 million, Auckland Airport's share of Queenstown Airport's profit of $5.6 million, and a revaluation gain from the Tainui Auckland Airport Hotel 2 Limited Partnership (TAAH2) of $1.0 million.

On an underlying basis, these fair value adjustments are excluded and this resulted in an underlying share of profit of associates of $7.5 million which comprised $1.9 million from TAAH, $nil million from TAAH2 and $5.6 million from Queenstown Airport. This was a $3.1 million increase on the $4.4 million profit in the 2022 financial year.

Queenstown Airport

Queenstown Airport's net profit after tax for the 2022 financial year increased significantly to $22.7 million. Auckland Airport's 24.99% share of Queenstown Airport's net profit after tax was $5.6 million, a $5.3 million increase on the $0.3 million profit in the previous financial year.

	2023 $M	2022 $M	Change
Financial performance			
Total revenue	59.6	26.8	122%
EBITDAFI	43.9	14.0	214%
Total net profit after tax	22.7	1.1	1,964%
Passenger performance			
Domestic passenger volume	1,633,459	1,096,655	49%
International passenger volume	736,861	37,889	1,845%
Total passengers	**2,370,320**	**1,134,544**	**109%**

Queenstown Airport's passenger volumes were up 109% in the 2023 financial year to 2.4 million with international passengers up significantly on the prior year due to the full reopening of the country's border during the financial year. Domestic passengers were up by 49% on the prior year reflecting no domestic travel restrictions in 2023 that impacted travel in 2022.

In the 2023 financial year, Auckland Airport received a dividend from our investment in Queenstown Airport of $1.8 million. On 17 August 2023, the directors of Queenstown Airport declared a final dividend of $9.6 million for the year ended 30 June 2023. Auckland Airport's share of the dividend is $2.4 million.

Tainui Auckland Airport Hotel Limited Partnership

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

In July 2022, the Novotel hotel reopened to the public following being used exclusively as a managed isolation facility since March 2020. As part of its extensive refurbishment following operating as a managed isolation facility, the Novotel donated a range of surplus equipment to local charities to benefit the local community.

Hotel occupancy improved significantly throughout the year from 27% at June 2022 to 90% at 30 June 2023, resulting in an average 71% for the twelve months to 30 June 2023.

In the 2023 financial year, Auckland Airport's share of underlying profit from this investment was $1.9 million, a decrease of $2.2 million compared with the previous year. Auckland Airport's share of the joint venture's reported profit in the 2023 financial year was $4.5 million, which includes $2.7 million of property revaluation gains and $0.1 million of derivative fair value loss.

Tainui Auckland Airport Hotel 2 Limited Partnership
Auckland Airport has a 50% investment in the Pullman Hotel joint venture with Tainui Group Holdings Limited.

The partnership continued construction the 311 room five-star Te Arikinui Pullman Auckland Airport Hotel during the year. The second and final phase of construction to complete the remaining interior fit-out works of the hotel is nearing completion with the hotel expected to open before the end of the 2023 calendar year.

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

In the 2023 financial year, Auckland Airport's share of net profit after tax from this investment was $1.0 million.

Fair value changes
In the 2023 financial year, investment property fair value changes resulted in a loss in the income statement of $139.7 million with the main driver of this fair value decrease being an expansion in market capitalisation rates.

The land, runways, taxi ways, aprons and infrastructure classes within property, plant and equipment was revalued as at 30 June 2023. These revaluations resulted in a combined $203.0 million increase in the carrying value of this asset class, comprising of a $15.6 million expense to reported profit (representing downwards revaluations in excess of prior revaluation reserve balances for certain assets) and a $218.6 million increase in revaluation reserve.

2023 Financial position

As at 30 June	2023 $M	2022 $M	Change
Non-current assets	10,668.5	10,078.1	6%
Current assets	160.8	74.8	115%
Total assets	**10,829.3**	**10,152.9**	**7%**
Non-current liabilities	1,855.6	1,391.9	33%
Current liabilities	596.2	610.1	(2)%
Equity	8,377.5	8,150.9	3%
Total equity and liabilities	**10,829.3**	**10,152.9**	**7%**

As at 30 June 2023, the book value of Auckland Airport's total assets was $10,829.3 million, an increase of $676.4 million, or 8%, on the prior financial year. The increase in total assets reflects the combined effects of the $647.1 million net capital expenditure in the year and the $203.0 million revaluation gain relating to the property, plant and equipment asset class, partially offset by the $139.7 million investment property revaluation loss.

Shareholders' equity as at 30 June 2023 increased by $226.6 million, or 5% higher than that at 30 June 2022. The movement in equity largely reflects the upwards revaluations of property and plant and equipment booked to non-current assets in the 2023 financial year.

Gearing, measured as debt to debt plus the market value of shareholders' equity, increased to 18.2% as at 30 June 2023, from 15.6% as at 30 June 2022.

Capital expenditure

For the financial year to 30 June 2023, gross capital expenditure totalled $650.9 million (before impairments), up 150% on the prior year reflecting a significant increase in aeronautical, property and parking investment. Adjusting for $3.8 million (2022: $6.9 million) of write-offs and impairments, net capital expenditure for the year was $647.1 million.

Underpinning the significant increase in capital expenditure in the year was activity on the Terminal Integration Programme, a multi-billion programme of works which will deliver a new domestic jet terminal integrated with the existing international terminal. Prior to 2023 this programme of works has primarily been design focused, however in 2023 elements of the programme have transitioned from design to delivery activity resulting in a significant lift in investment. Projects in this programme with significant physical works in 2023 include the new Transport Hub and a new Eastern Bag Hall.

Auckland Airport continued to invest in asset resilience and renewal initiatives in the year including projects such as runway and apron pavement renewals as well as upgrades to our airfield lighting.

In addition to our aeronautical investment, property development has more than doubled in 2023 driven by activity on a pipeline of preleased developments negotiated in the prior year and the new Mānawa Bay shopping centre which are all expected to open in calendar 2024.

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

Category	2023 Gross capex $M	2023 Write-offs and impairments $M	2023 Net capex $M	2022 Net capex $M	Change	Key 2023 projects
Aeronautical	329.2	(3.8)	325.4	119.4	173%	Activity in the year was dominated by design activity on the new Domestic Terminal, delivery activity on key projects within the Terminal Integration Programme such as the new Eastern Bag Hall, Operations Control Centre, Baggage Systems, terminal utility networks and airfield relocations which enables the commencement of construction of the new Domestic Terminal pier in 2024. In addition, activity recommenced on an airfield expansion project to north of Pier B which will deliver additional aircraft stand capacity which is required to offset a reduction in stand capacity during construction of the new domestic processor. Aside from Terminal Integration aeronautical investment in 2023 included airfield slab and apron renewals, upgrades to the existing airfield fuel network, airbridge refurbishments and asset renewals in both terminals.
Infrastructure and other	53.0	-	53.0	67.1	(21)%	Activity in the year was dominated by investment in upgrades to the roading network including the development of Te Ara Korako Drive, a new east-west link road between George Bolt Memorial Drive and Nixon Road, upgrade to Lawrence Stevens Drive including High Occupancy Vehicle lanes and the implementation of a new fibre network across the precinct to increase overall network resilience. In addition, Auckland Airport continued to invest in campus-wide utility infrastructure and core operating, security and technology systems.
Property	133.3	-	133.3	54.8	143%	Activity in the year included continued construction activity on the Mānawa Bay Outlet Centre and two existing preleased developments that are forecast for completion in 2024, completion of the preleased development at 6-8 Te Kapua Drive and an expansion of Kerry Logistics and commencement of design and delivery activity on four new preleased developments which are scheduled for delivery across 2024 and 2025.
Retail	0.3	-	0.3	0.4	(25)%	Retail capital expenditure in 2023 included design activity of the retail offering in the international arrivals hall and which is scheduled for delivery in 2024.
Car parking	135.0	-	135.0	11.4	1,084%	Activity in the year primarily related to the construction works for the new multi storey Transport Hub, a key project in the overall Terminal Integration programme as additional pick up and drop off facilities and car parking capacity will be required when domestic jet operations are relocated to the new integrated terminal building. The first stage of the Transport Hub is planned to open in 2024 and the full facility in the 2025 financial year. In addition, delivery activity on Park & Ride South continued which will increase overall parking capacity and is scheduled to become operational in 2024.
Total	**650.9**	**(3.8)**	**647.1**	**253.1**	**156%**	

Capital expenditure outlook for 2024

Capital investment for the year to 30 June 2024 is forecast to increase on the 2023 year as work continues on a range of strategic projects alongside the ongoing investment in aeronautical upgrades, retail, transport and commercial property projects. In view of this investment right across the precinct capital expenditure for the 2024 financial year is forecast to be between $1,000 million and $1,400 million.

2023 Financial position CONTINUED

Category	Forecast range Low $M	High $M
Aeronautical	560	810
Infrastructure and other	75	140
Property development	180	220
Retail and car parking	185	230
Total capital expenditure	**1,000**	**1,400**

Aeronautical capital expenditure activity in the 2024 financial year will be primarily focused on progressing enabling and construction activity on several initiatives that form part of the terminal integration programme including the east bag hall at the International Terminal and a new western truck dock. Upgrades to arrivals to accommodate increased screening requirements are also planned to continue in 2024 alongside construction of the Transport Hub. In addition, airfield and terminal renewal works will continue whilst in 2024 there will be a stronger focus on asset renewals in the existing Domestic Terminal.

Infrastructure and other projects in the 2024 financial year include commencing delivery of upgrades to the eastern and southern roading networks, investment in core utility networks, core IT infrastructure including a major upgrade to the campus fibre network to ensure diversification and resilience of service, server upgrades and investment in cyber security.

Property projects planned for 2024 include the completion of five preleased warehouse developments, progressing the design and construction activity on two pre-leased developments and the Mānawa Bay Outlet Centre, all of which are planned to be completed in 2025. Aside from these developments, Auckland Airport will continue to explore opportunities for new preleased developments.

Aside from the development of the Transport Hub, Auckland Airport plans to complete development of the Park & Ride South project which will provide car parking capacity and provide laydown and contractor parking facilities which will be required for the large terminal integration works and other strategic development projects.

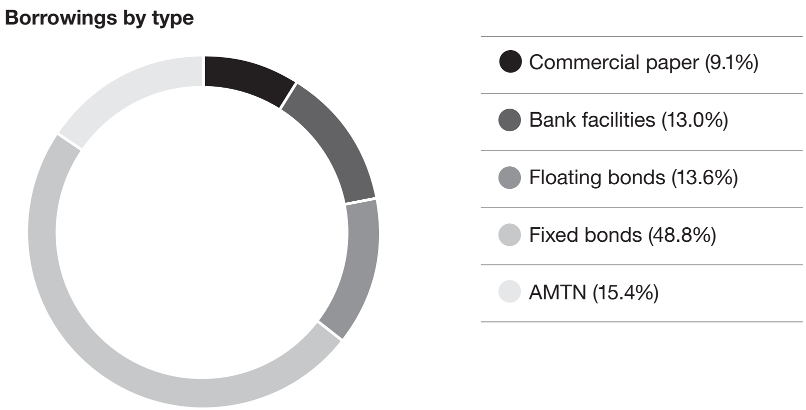
Borrowings

As at 30 June 2023, Auckland Airport's total borrowings were $1,817.1 million, an increase of $340.5 million or 23% on the previous year. The increase in borrowings reflects new borrowings during the year partially offset by decreases in the fair value of existing debt owing to increases in market interest rates.

As at 30 June 2023, Auckland Airport's borrowings comprised: AMTN notes totalling $271.1 million; New Zealand fixed rate bonds totalling $889.2 million; New Zealand floating rate bonds totalling $250.0 million; drawn bank facilities totalling $240 million; and commercial paper totalling $166.8 million.

Short-term borrowings with a maturity of one year or less totalled $428.8 million as at 30 June 2023 and comprised $166.8 million of commercial paper, $225 million of New Zealand fixed rate bonds and $37 million of drawn bank facilities.

Borrowings by type



The AMTN borrowings were revalued downwards at year-end reflecting higher interest rates. The AMTN debt carrying value decreased by $8.7 million over the year. The interest rate movement was matched by equal and offsetting movements in the fair value of the associated cross-currency interest rate swaps.

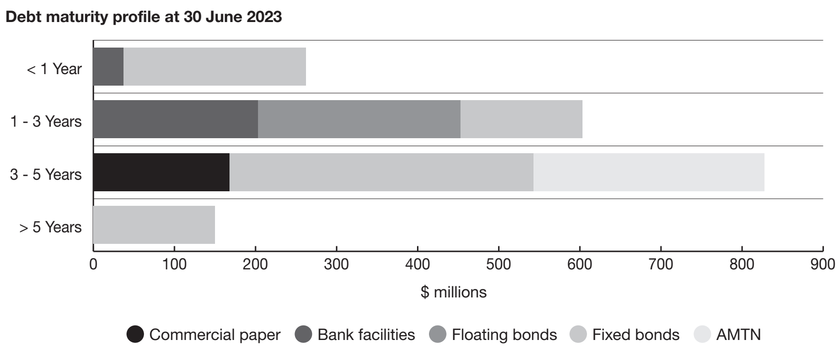
As at 30 June 2023, Auckland Airport had fixed rate bonds outstanding with a face value of $900 million and floating rate notes of $250 million. A new $225 million fixed rate bond, issued in November 2022, has a matching fair value interest rate swap that converts the fixed interest payments to a floating rate exposure. The fair value of this bond remained broadly consistent with issue pricing at 30 June. However, the $150 million fixed rate bond issued in November 2021 that is also matched by a fair value interest rate swap was revalued down by a further $2.1 million in the year to June 2023. As with the cross-currency swaps there was an equal and opposite movement in the carrying value of the associated financial derivative. A full breakdown of the maturities of these bonds is available in note 18(a) of the Financial Statements.

As at 30 June 2023, Auckland Airport had total bank facilities of $1,203 million, of which $240 million was drawn and $963 million was available in a standby capacity. These drawn and undrawn facilities are held with all eight banking counterparties, a full breakdown of which is available in note 18(d) of the financial statements.

2023 Financial position CONTINUED

The commercial paper programme had a balance of $166.8 million at 30 June 2023. As the commercial paper is supported by undrawn facilities which mature in November 2026, they are included in the three-to-five year bracket for the purpose of the following debt maturity profile chart as at 30 June 2023, matching the maturity of the supporting bank facilities.

Debt maturity profile at 30 June 2023



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

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

Credit metrics and key lending covenants	Test	2023	2022
Gearing	≤ 60%	18.2%	15.6%
Interest Coverage	≥ 2.0x	6.57x	2.58x
Debt to enterprise value		12.7%	12.3%
Net debt to enterprise value		12.0%	12.1%
Funds from operations interest cover	≥ 2.5x	5.0x	2.6x
Funds from operations to net debt	≥ 11.0%	18.5%	6.4%
Weighted average interest cost		5.03%	4.32%
Average debt term to maturity		2.65	2.29
Percentage of fixed borrowings		63.2%	71.5%

Credit rating

As at 30 June 2023, 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	2023 $m	2022 $m	Change
Net cash inflow from operating activities	325.1	101.2	221%
Net cash outflow from investing activities	(595.6)	(283.2)	(110)%
Net cash inflow / (outflow) from financing activities	352.0	127.2	177%
Net increase (decrease) in cash held	**81.5**	**(54.8)**	249%

Net cash inflow from operating activities was $325.1 million in the 2023 financial year, an increase of $223.9 million, or 221%, on the previous financial year. This reflected increased business activity following the relaxation of travel restrictions.

Net cash outflow applied to investing activities was $595.6 million in the 2023 financial year, an increase of $312.4 million, or 110% on the prior year reflecting increased capital expenditure on infrastructure and commercial property during the year.

Net cash inflow from financing activities was $352.0 million in the 2023 financial year, an increase of $224.8 million on the previous financial year. The inflow for the current year was a result of additional borrowings undertaken in 2023, partially offset by a repayment of maturing facilities.

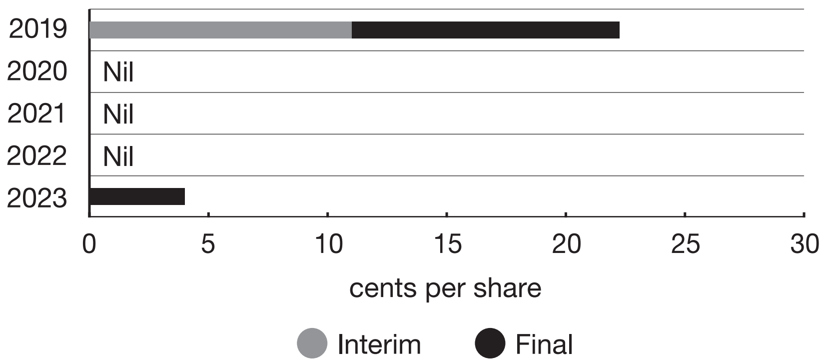
2023 Returns for shareholders

Dividend policy

Auckland Airport suspended dividend payments in March 2020 as part of its COVID response. Following a return to profitability, in June of 2023 Auckland Airport announced a revised dividend policy to pay between 70% to 90% 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 range, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time.

Auckland Airport has declared a final dividend for the year to 30 June 2023 of 4.0 cents per share. The table below summarises the dividends paid to shareholders over the five-year period to 30 June 2023.

Distribution history



Share price performance and total shareholder returns

Auckland Airport's share price at 30 June 2023 was $8.55, a 19% increase on the $7.18 share price at 30 June 2022.

Average annual shareholder return over the five-year period to 30 June 2023 was 5.4%.

Five-year compound average total shareholder return

	Share price opening	Share price closing	Dividends	Total return	Average annual shareholder return
	$	$	$	$	
1 July 2018 to 30 June 2023	6.78	8.55	0.2625	2.0325	5.4%

Other key performance indicators

In addition to the performance metrics mentioned earlier in this Financial Commentary, Auckland Airport also monitors a range of other non-financial performance measures. One of these areas relates to service quality and the second environmental measures.

Airport service quality

Auckland Airport undertakes a quarterly survey of airport service quality (ASQ) and benchmarks its performance against a range of airports that travellers can connect to from Auckland Airport.

The most recent results are summarised in the table below. The increased variety of shops and restaurants available in the International Terminal as well as increased satisfaction with wireless connectivity helped the ASQ score in the international terminal increase to 4.13 from 3.93 in the prior year. However, ASQ In the domestic terminal fell slightly to 3.89 from 4.03 in 2022 driven by a decline in satisfaction with cleanliness in the terminal. Recognising this, changes were made to cleaning processes that resulted in promising improvement in the domestic terminal ASQ in the second half of the year.

Year ended 30 June	2023	2022	Change
International	4.13	3.93	5%
Domestic	3.89	4.03	(3)%

Environmental

Auckland Airport was one of New Zealand's early adopters of sustainability principles and has made considerable progress in the areas of emissions reductions, energy savings and waste management.

Auckland Airport acknowledges the impact the aviation industry has on the environment and we are seeking to reduce our impact, and also that of our industry partners on the environment. We are tracking our progress in reducing our impact on the environment against the 2019 baseline, with the table below summarising our carbon emissions, water usage and waste generated by our operations.

Year ended 30 June	2023	2019 baseline	Change
Scope 1 and 2 carbon emissions (tCO2e)	4,291	5,895	(27)%
Water usage (m3)	268,622	375,968	(29)%
Waste landfill (tonnes)	2,392	2,462	(3)%

This year, our scope 1 and 2 emissions have decreased as we make progress against our decarbonisation pathway. Natural gas use has decreased with the introduction of our first electric heat pump which has reduced the need for gas boilers to operate at full capacity.

With the recovery in travel, passenger numbers have increased significantly resulting in higher water usage and waste being generated from passenger activity. Water usage increased in the year to 30 June 2023 by 74% to 268,622m3 and waste to landfill increasing to 2,392 tonnes, up from 722 tonnes in the year to 30 June 2022. The increased construction activity was a significant contributor to the larger increase in waste to landfill. We have introduced a dedicated role focused on waste minimisation to ensure the trend of growth in waste does not continue.

Financial statements

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $M	2022 $M
Income			
Airfield income		86.6	60.9
Passenger services charge		132.9	33.8
Retail income		130.9	22.7
Rental income		170.6	129.7
Rates recoveries		12.7	8.6
Car park income		57.7	26.2
Interest income		3.2	0.3
Flood-related income	3(f)	5.0	-
Other income		26.3	18.1
Total income		625.9	300.3
Expenses			
Staff	5	63.3	50.0
Asset management, maintenance and airport operations		89.8	66.7
Rates and insurance		31.8	21.0
Marketing and promotions		6.7	1.4
Professional services and levies		8.2	4.3
Fixed asset write-offs, impairment and termination costs	5	4.8	6.9
Reversal of fixed asset impairment and termination costs	5	(1.0)	-
Flood-related expense	3(f)	8.4	-
Other expenses		19.2	6.1
Expected credit losses/(release)		(2.4)	(0.6)
Total expenses		228.8	155.8
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]		397.1	144.5
Investment property fair value change	12	(139.7)	204.4
Property, plant and equipment fair value change	11(a)	(15.6)	(1.4)
Derivative fair value change	18(b)	(0.7)	1.7
Share of profit/(loss) of associate and joint ventures	8	11.1	(12.8)
Earnings before interest, taxation and depreciation (EBITDA)[1]		252.2	336.4
Depreciation	11(a)	145.3	113.1
Earnings before interest and taxation (EBIT)[1]		106.9	223.3
Interest expense and other finance costs	5	62.7	53.7
Profit before taxation		44.2	169.6
Taxation expense/(benefit)	7(a)	1.0	(22.0)
Profit after taxation attributable to the owners of the parent		43.2	191.6
		Cents	Cents
Earnings per share			
Basic earnings per share	10	2.93	13.02
Diluted earnings per share	10	2.93	13.01

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

The notes and accounting policies on pages 31-80 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 2023

	Notes	2023 $M	2022 $M
Profit for the year		43.2	191.6
Other comprehensive income			
Items that will not be reclassified to the income statement			
Flood related fixed asset impairments	3(f)	(21.0)	-
Net property, plant and equipment revaluation movement	11(a), 16(b)	218.6	75.8
Tax on the property, plant and equipment revaluation reserve	16(b)	(40.4)	(128.5)
Movement in share of reserves of associate and joint ventures	8,16(f)	11.2	13.9
Items that will not be reclassified to the income statement		168.4	(38.8)
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)	19.1	85.5
Realised gains transferred to the income statement	16(d)	0.2	9.1
Tax effect of movements in the cash flow hedge reserve	16(d)	(5.4)	(26.5)
Total cash flow hedge movement		13.9	68.1
Movement in cost of hedging reserve	16(e)	-	(0.8)
Tax effect of movement in cost of hedging reserve	16(e)	-	0.2
Items that may be reclassified subsequently to the income statement		13.9	67.5
Total other comprehensive income		182.3	28.7
Total comprehensive income for the year, net of tax attributable to the owners of the parent		225.5	220.3

The notes and accounting policies on pages 31-80 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 2023

	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 2023										
At 1 July 2022		1,680.2	(609.2)	5,040.2	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
Profit for the year		-	-	-	-	-	-	-	43.2	43.2
Other comprehensive income		-	-	157.2	-	13.9	-	11.2	-	182.3
Total comprehensive income		-	-	157.2	-	13.9	-	11.2	43.2	225.5
Reclassification to retained earnings	16(b), 16(c)	-	-	(10.1)	(0.6)	-	-	-	10.7	-
Shares issued	15	0.6	-	-	-	-	-	-	-	0.6
Long-term incentive plan	16(c)	-	-	-	0.5	-	-	-	-	0.5
At 30 June 2023		1,680.8	(609.2)	5,187.3	2.0	31.6	(1.7)	62.1	2,024.6	8,377.5
For the year ended 30 June 2022										
At 1 July 2021		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5
Profit for the year		-	-	-	-	-	-	-	191.6	191.6
Other comprehensive income		-	-	(52.7)	-	68.1	(0.6)	13.9	-	28.7
Total comprehensive income		-	-	(52.7)	-	68.1	(0.6)	13.9	191.6	220.3
Reclassification to retained earnings	16(b), 16(c)	-	-	(7.0)	-	-	-	-	7.0	-
Shares issued	15	1.0	-	-	-	-	-	-	-	1.0
Long-term incentive plan	16(c)	-	-	-	0.1	-	-	-	-	0.1
At 30 June 2022		1,680.2	(609.2)	5,040.2	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2023

	Notes	2023 $M	2022 $M
Non-current assets			
Property, plant and equipment	11(a)	7,548.3	6,986.1
Investment properties	12	2,882.1	2,897.4
Investment in associate and joint ventures	8	193.1	166.5
Derivative financial instruments	18	45.0	28.1
		10,668.5	10,078.1
Current assets			
Cash and cash equivalents	13	106.2	24.7
Trade and other receivables	14	51.6	28.5
Taxation receivable		1.4	21.6
Derivative financial instruments	18	1.6	-
		160.8	74.8
Total assets		10,829.3	10,152.9

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

	Notes	2023 $M	2022 $M
Shareholders' equity			
Issued and paid-up capital	15	1,680.8	1,680.2
Reserves	16	4,672.1	4,500.0
Retained earnings		2,024.6	1,970.7
		8,377.5	8,150.9
Non-current liabilities			
Term borrowings	18(a)	1,388.3	961.0
Derivative financial instruments	18	25.3	15.7
Deferred tax liability	7(c)	438.5	411.9
Other term liabilities		3.5	3.3
		1,855.6	1,391.9
Current liabilities			
Accounts payable and accruals	17	159.9	87.1
Derivative financial instruments	18	-	0.9
Short-term borrowings	18(a)	428.8	515.6
Provisions	21	7.5	6.5
		596.2	610.1
Total equity and liabilities		10,829.3	10,152.9

These financial statements were approved and adopted by the Board on 23 August 2023.

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 31-80 form part of, and are to be read in conjunction with, these financial statements.

Consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $M	2022 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		593.3	287.0
Interest received		3.2	0.3
		596.5	287.3
Cash was applied to:			
Payments to suppliers and employees		(213.5)	(134.6)
Income tax paid/(received)		-	-
Interest paid		(57.9)	(51.5)
		(271.4)	(186.1)
Net cash flow from operating activities	6	325.1	101.2
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		-	0.4
Dividends received from associate and joint ventures	8	1.8	3.0
		1.8	3.4
Cash was applied to:			
Property, plant and equipment additions		(465.1)	(224.8)
Interest paid – capitalised	11(a), 12	(19.4)	(8.0)
Investment property additions		(106.8)	(39.8)
Investment in joint ventures	8	(6.1)	(14.0)
		(597.4)	(286.6)
Net cash flow applied to investing activities		(595.6)	(283.2)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings	18(a)	753.0	200.6
Settlement of cross-currency interest rate swaps		-	(1.4)
		753.0	199.2
Cash was applied to:			
Decrease in borrowings	18(a)	(401.0)	(72.0)
		(401.0)	(72.0)
Net cash flow applied to financing activities		352.0	127.2
Net (decrease)/increase in cash held		81.5	(54.8)
Opening cash brought forward		24.7	79.5
Ending cash carried forward	13	106.2	24.7

The notes and accounting policies on pages 31-80 form part of, and are to be read in conjunction with, these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2023

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

1. Corporate information

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

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

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

All the subsidiaries are incorporated in New Zealand.

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

These financial statements were authorised for issue in accordance with a resolution of the directors on 23 August 2023.

2. Summary of significant accounting policies

(a) Basis of preparation

Statutory base

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

Measurement base

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

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

Presentation currency

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

(b) Statement of compliance

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

(c) New accounting standards and interpretations

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

Climate-related disclosure standard

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

Auckland Airport has begun to apply the XRB's standards from 1 July 2022, a year before full compliance with the new standards is required.

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) Fair value heirachy

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.

(f) Investments in associate and joint ventures

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

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

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

(g) 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.

Revaluation surpluses are transferred from the property, plant and equipment revaluation reserve to retained earnings on derecognition of the asset or if the asset is transferred to investment properties.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

2. Summary of significant accounting policies CONTINUED

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.

(h) Investment properties

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

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

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

Transfers are made to investment property when there is a change in use. This may be evidenced by the 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(g)).

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(m)). The group assesses lease incentives and receivables for impairment at each reporting date and recognises impairment losses as prescribed by NZ IFRS 9.

(i) Impairment of non-financial assets

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

(j) 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.

(k) Financial instruments

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

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

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

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

Accounts payable and accruals

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

Borrowings

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

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

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).

(l) 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.

(m) Revenue recognition

Airfield income

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

Passenger services charges

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

Retail and rental income

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

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.

Insurance proceeds

Insurance proceeds are recognised as income when the recovery of incurred damages is virtually certain.

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.

(n) 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

2. Summary of significant accounting policies CONTINUED

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.

(o) Income tax and other taxes

Income tax

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

Deferred tax

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

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

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

Goods and services tax (GST)

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

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

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

3. Significant accounting judgements, estimates and assumptions

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

(a) Fair value of investment property

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

(b) Carrying value of property, plant and equipment

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

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

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

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

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

(d) COVID-19

The financial position and performance of the group continued to reflect the ongoing recovery of the aviation industry from the COVID-19 pandemic. The timing of full traffic recovery to pre-pandemic levels remains uncertain and constrained by staffing shortages and return of aircraft to service across the industry.

During February 2022, Auckland Airport renegotiated its bank facility interest coverage covenants for a transitional period until December 2024. The following table sets out the EBITDA-based interest coverage covenants.

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

Auckland Airport's actual interest coverage for the 12 months ended 30 June 2023 was 6.52x. Given the strong rebound in the aviation market during the year ended 30 June 2023 and industry-wide optimism for further recovery, Auckland Airport's 12-month interest coverage metrics are likely to progressively strengthen going forward.

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

- Recognition of rent abatements as negative variable rent (see note 2(m) and note 5); and
- Impairment and write-off of capital works in progress (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.

(f) Flood-related insurance matters

On 27 January 2023, Auckland experienced widespread flash flooding caused by record-breaking rainfall. Auckland Airport experienced flooding across the precinct and particularly the international terminal building. Both the domestic and international terminals were closed for short periods starting that evening, with domestic flights resuming at midday on 28 January 2023 and international flights from the morning of 29 January 2023.

Material damage

Auckland Airport suffered flood damage to assets across its precinct. The most significant areas of damage were to check-in, baggage and vertical transportation at the international terminal building. Auckland Airport has material damage, business interruption and construction works insurance policies in place.

The group has engaged independent experts to estimate the likely extent of damage. The experts do not yet have sufficient information to complete a full assessment.

As a result, these financial statements include a number of significant judgements and estimates related to the flood event. It is possible that the actual financial impacts will differ from those included in these financial statements and these differences may be material. Details of the judgements and estimates made are provided in the following parts of this note.

Asset impairment and write-off

The group has commenced the repair and replacement of damaged assets. Repairs completed during the year ended 30 June 2023 have been recognised as an expense during the period. Assets that have been replaced during the period have been treated as a disposal with the cost of replacement recognised as capital expenditure.

Impairments are recognised for any assets that remain damaged at year end. Impairments are recognised in the consolidated 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.
The group has engaged independent experts to identify damaged assets and estimate the extent to which the carrying value in the financial statements may be impaired. However, assessments remain incomplete.

Other insurance

In addition to recovery of the expected reconstruction costs, Auckland Airport is able to seek recovery of additional items, including the following:

- Business interruption costs and loss of revenue while the Auckland precinct was closed or affected by the flood;
- Costs of professional advisors assisting the company as a result of the flood; and
- Additional ongoing operating costs as a result of the damage.

The additional expenses are recognised when incurred and any recovery of these items is recognised when recovery is virtually certain.

Insurance recovery income

The group recognises the expected insurance proceeds when they can be reliably estimated and the recovery is virtually certain. The insurers have acknowledged the flood event damage. However, as described above, assessments of the full extent and costs to remediate are incomplete.

During the year ended 30 June 2023, the insurers agreed to an initial payment of $5.0 million, which the group has recognised as income.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

3. Significant accounting judgements, estimates and assumptions CONTINUED

The flood related amounts recognised during the year ended 30 June 2023 in the consolidated income statement and the consolidated statement of comprehensive income are shown in the table below:

	Notes	2023 $M
Income		5.0
Material damage		5.0
Expenses		(8.4)
Staff		(0.2)
Asset management, maintenance and airport operations		(7.3)
Marketing and promotions		(0.1)
Professional services and levies		(0.2)
Other expenses		(0.3)
Fixed asset write-offs and impairment[1]		(0.3)
Other comprehensive income		(21.0)
Flood-related fixed asset impairments[2]		(21.0)

1 Flood related expenses include $0.3 million relating to fixed asset impairments.
The group also incurred $21.0 million of flood related fixed asset impairments, through other comprehensive income, which were related to the Aeronautical segment. Refer to note 3(f) and 11(c) for further information.
2 Recognised in Property, plant and equipment revaluation reserve.

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.

From 2 May 2022, New Zealand's international border progressively reopened, initially to visa waivered countries. From 1 August 2022, New Zealand's international border reopened to all passengers. The group did not provide abatements to aeronautical customers during the year ended 30 June 2023 (2022: $1.3 million). Refer to note 3(d) 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.

Ongoing COVID-19 impacts continued to affect retailers within the terminals, and the group provided $57.9 million (2022: $172.5 million) of abatements to retailers during the year ended 30 June 2023. Refer to note 3(d) 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 $0.2 million (2022: $4.9 million) of rent abatements to property tenants during the year ended 30 June 2023.

(c) Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2023 financial year accounted for 27% of external revenue (2022: 30%). The revenue from this customer is included in all three operating segments.

(d) Geographical areas

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

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2023				
Income from external customers				
Airfield income	86.6	-	-	86.6
Passenger services charge	132.9	-	-	132.9
Retail income	-	130.9	-	130.9
Rental income	26.7	1.0	142.9	170.6
Rates recoveries	0.8	3.5	8.3	12.6
Car park income	-	57.7	-	57.7
Flood-related income	5.0	-	-	5.0
Other income	8.1	8.2	5.1	21.4
Total segment income	260.1	201.3	156.3	617.7
Expenses				
Staff	34.8	4.3	4.4	43.5
Asset management, maintenance and airport operations	47.3	20.3	5.7	73.3
Rates and insurance	7.2	7.9	14.2	29.3
Marketing and promotions	2.4	3.1	0.8	6.3
Professional services and levies	1.1	0.5	1.4	3.0
Fixed asset write-offs, impairment and termination costs	3.8	1.0	-	4.8
Reversal of fixed asset impairment and termination costs	-	(1.0)	-	(1.0)
Flood-related expenses	8.4	-	-	8.4
Other expenses	4.2	1.9	2.7	8.8
Total segment expenses	109.2	38.0	29.2	176.4
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	150.9	163.3	127.1	441.3

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

4. Segment information CONTINUED

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

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

(e) Reconciliation of segment income to income statement

	2023 $M	2022 $M
Segment income	617.7	296.3
Interest income	3.2	0.3
Other revenue	5.0	3.7
Total income	625.9	300.3

(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.

	2023 $M	2022 $M
Segment EBITDAFI[1]	441.3	174.0
Unallocated external operating income	8.2	4.0
Unallocated external operating expenses	(52.4)	(33.5)
Total EBITDAFI as per income statement[1]	397.1	144.5
Investment property fair value (decrease)/increase	(139.7)	204.4
Property, plant and equipment revaluation	(15.6)	(1.4)
Derivative fair value increase/(decrease)	(0.7)	1.7
Share of profit/(loss) of associate and joint ventures	11.1	(12.8)
Depreciation	(145.3)	(113.1)
Interest expense and other finance costs	(62.7)	(53.7)
Profit before taxation	44.2	169.6

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

5. Profit for the year

	Notes	2023 $M	2022 $M
Retail and rental income includes:			
Variable lease payments		86.5	15.7
Rent abatements		(58.1)	(178.7)
Staff expenses comprise:			
Salaries and wages		51.6	43.6
Employee benefits		5.7	5.8
Share-based payment plans		(0.1)	0.9
Defined contribution superannuation		2.0	1.7
Government wage subsidy		-	(4.2)
Other staff costs		4.1	2.2
		63.3	50.0
Fixed asset write-offs, impairment and termination costs comprise:			
Write-offs – property, plant and equipment	11(a)	2.1	0.8
Impairment – property, plant and equipment	11(a)	2.7	6.1
Write-offs – investment properties	12	-	-
		4.8	6.9
Flood-related fixed asset write-offs, impairment and termination costs comprise:			
Impairment – flood-related property, plant and equipment	11(a)	0.3	-
		0.3	-
Reversal of fixed asset impairment and termination costs comprise:			
Reversal of impairment – property, plant and equipment	11(a)	(1.0)	-
		(1.0)	-
Other expenses include:			
Directors' fees		1.6	1.5
Bad debts written off		2.4	-
Loss on foreign currency movements		0.1	-
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		41.9	29.2
Interest on bank facilities and related hedging instruments		18.0	19.7
Interest on AMTN notes and related hedging instruments		14.9	9.8
Interest on commercial paper and related hedging instruments		7.3	3.0
		82.1	61.7
Less capitalised borrowing costs	11(a), 12	(19.4)	(8.0)
		62.7	53.7
Interest rate for capitalised borrowing costs		5.03%	4.32%

The interest expense amounts disclosed in the table above include the effect of interest rate hedges. The gross interest costs of bonds, bank facilities, Australian Medium Term Notes ('AMTN') and commercial paper, excluding the impact of interest rate hedges, was $79.6 million for the year ended 30 June 2023 (2022: $45.2 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

	2023 $'000	2022 $'000
Audit of financial statements		
Audit and review of financial statements[1]	510.0	450.0
Other services		
Regulatory audit work[2]	87.5	85.0
Other services[3]	186.0	49.0
Total fees paid to auditor	783.5	584.0

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements.
2 Regulatory audit work consists of the audit of airport-related regulatory disclosures.
3 Other services include $38,000 relating to greenhouse gas inventory assurance and sustainability data quality non-assurance services. The group has also paid $14,000 to Deloitte for administrative and other advisory services to the Corporate Taxpayers Group, of which the group, alongside a number of other organisations, is a member. The remaining other services relates to trustee reporting of $5,000 and non-assurance services in relation to the integrity of the aeronautical pricing model of $129,000.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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

	2023 $M	2022 $M
Profit after taxation	43.2	191.6
Non-cash items		
Depreciation	145.3	113.1
Deferred taxation expense	(19.2)	(22.1)
Share-based payments	0.1	-
Fixed asset write-offs and impairment	5.1	6.9
Reversal of fixed asset impairment	(1.0)	-
Equity-accounted (earnings)/loss from associate and joint ventures	(11.1)	12.8
Property, plant and equipment fair value revaluation	15.6	1.4
Investment property fair value decrease/(increase)	139.7	(204.4)
Derivatives fair value (increase)/decrease	0.7	(1.7)
Items not classified as operating activities		
Gain on asset disposals	3.4	-
Decrease/(increase) in provisions and property, plant and equipment retentions and payables	(39.4)	25.5
(Increase)/decrease in investment property retentions and payables	(16.4)	1.2
Increase in investment property lease incentives and receivables	(12.5)	(11.4)
Items recognised directly in equity	0.5	0.9
Movement in working capital		
(Increase)/decrease in trade and other receivables	(23.1)	(3.1)
(Increase)/decrease in taxation receivable	20.2	(0.7)
(Decrease)/increase in accounts payable and provisions	73.8	(9.3)
Increase in other term liabilities	0.2	0.5
Net cash flow from operating activities	325.1	101.2

7. Taxation

(a) Income tax expense

	2023 $M	2022 $M
The major components of income tax are:		
Current income tax		
Current income tax charge	20.5	1.2
Income tax over provided in prior year	-	(1.1)
Deferred income tax		
Prior period adjustment	(0.3)	-
Movement in deferred tax	(19.2)	(22.1)
Total taxation (benefit)/expense	1.0	(22.0)

(b) Reconciliation between prima facie taxation and tax expense

	2023 $M	2022 $M
Profit before taxation	44.2	169.6
Prima facie taxation at 28%	12.4	47.5
Adjustments:		
Share of associates' tax paid earnings	(1.6)	(0.1)
Revaluation with no tax impact	(7.6)	(75.1)
Income tax over provided in prior year	-	(1.1)
Re-estimated future tax benefits for buildings	(1.6)	5.2
Non-deductible asset write-offs, impairment and termination costs	0.5	2.0
Other	(1.1)	(0.4)
Total taxation (benefit)/expense	1.0	(22.0)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

7. Taxation CONTINUED

(c) Deferred tax assets and liabilities

	Balance 1 July 2022 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Offset against taxable income $M	Balance 30 June 2023 $M
Deferred tax liabilities						
Property, plant and equipment	303.5	(15.2)	40.4	-	-	328.7
Investment properties	131.8	(39.2)	-	-	-	92.6
Other	1.1	1.4	-	-	-	2.5
Deferred tax liabilities	436.4	(53.0)	40.4	-	-	423.8
Deferred tax assets						
Cash flow hedge	(6.3)	-	(5.4)	-	-	(11.7)
Tax losses	33.6	(33.6)	-	-	-	-
Provisions, accruals and long-term incentive plan	(2.8)	(0.2)	-	-	-	(3.0)
Deferred tax assets	24.5	(33.8)	(5.4)	-	-	(14.7)
Net deferred tax liability	411.9	(19.2)	45.8	-	-	438.5

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

(d) Imputation credits

	2023 $M	2022 $M
Imputation credits available for use in subsequent reporting periods at 30 June	0.8	0.8

8. Associate and joint ventures

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

The partnership between Tainui Group Holdings Limited and Auckland Airport owns and operates a 4-star plus, 263-room Novotel hotel adjacent to the international terminal at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The hotel is operated on the partnership's behalf by Accor Hospitality. The partnership has a balance date of 31 March. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2023 and management accounts for the balance of the year to 30 June 2023.

The group considers that there are no impairment indicators of its investment in the joint venture. The hotel reopened to the public on 1 July 2022 after being contracted to the New Zealand Government as a Managed Isolation Quarantine (MIQ) facility in the previous year. A valuation has been performed as at 30 June 2023 for the Novotel and there is no indication of impairment (30 June 2022: No impairment of the joint venture).

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

Other transactions with the partnership are as follows:

	2023 $M	2022 $M
Rental income received	0.7	0.7
Future minimum rentals receivable under non-cancellable operating lease	12.4	12.1

(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 $6.1 million into the partnership (2022: $51.1 million).

At 30 June 2023, an independent valuation was performed by JLL for the Pullman Hotel. The fair value of the completed hotel was determined to be $182.0 million, resulting in a $2.0 million revaluation gain for the joint venture for the year ended 30 June 2023. The group's share of the gain was $1.0 million. In the comparative year ended 30 June 2022, the joint venture recognised a revaluation loss of $41.0 million and the group's share of the loss was $20.5 million.

The hotel is categorised as Level 3 in the fair value hierarchy (as described in note 2(e)) and the valuation methodology used was a direct capitalisation of expected cash flows supported by a discounted cash flow approach.

The hotel is planned to open in December 2023.

Other transactions with the partnership are as follows:

	2023 $M	2022 $M
Rental income received	0.7	0.7
Future minimum rentals receivable under non-cancellable operating lease	19.8	20.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

8. Associate and joint ventures CONTINUED

(c) Queenstown Airport Corporation Limited (associate)

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

The group considers that there are no impairment indicators of its investment in its share of Queenstown Airport.

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	
	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M
Revenue	24.8	21.5	-	-	59.6	26.8
EBITDA	6.6	12.3	-	-	43.9	14.0
Profit after taxation	1.8	9.0	-	-	22.7	1.1
Other comprehensive income/(loss)	-	-	-	-	45.1	55.5
Total comprehensive income for the year	1.8	9.0	-	-	67.8	56.6
Distributions						
Repayment of partner contribution/ dividends received	-	(6.0)	-	-	7.2	-
Auckland Airport share of repayment of partner contribution/dividends received	-	(3.0)	-	-	1.8	-

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M
Current assets	12.7	8.2	2.2	0.3	6.5	6.9
Non-current assets	58.0	59.0	182.2	101.2	516.6	466.7
Total assets	70.7	67.2	184.4	101.5	523.1	473.6
Current liabilities	5.0	3.4	(0.9)	(0.7)	39.8	19.0
Non-current liabilities	59.0	59.6	70.9	-	38.2	69.5
Shareholders' equity	6.6	4.2	114.4	102.2	445.0	385.0
Total equity and liabilities	70.6	67.2	184.4	101.5	523.0	473.5
Auckland Airport ownership	50.00%	50.00%	50.00%	50.00%	24.99%	24.99%
Auckland Airport share of shareholders' equity	3.3	2.1	57.2	51.1	111.2	96.2
Investment property depreciation and revaluation adjustment	35.6	32.4	(19.5)	(20.5)	-	-
Goodwill	6.1	6.1	-	-	-	-
Gain on purchase	-	-	-	-	(0.9)	(0.9)
Carrying value of investment	45.0	40.6	37.7	30.6	110.3	95.3

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

	2023 $M	2022 $M
Investment in associate and joint ventures at the beginning of the year	166.5	154.4
Further investment in joint ventures	6.1	14.0
Share of profit/(loss) of associate and joint ventures	7.4	5.7
Revaluation of investment property	3.7	(18.5)
Share of reserves of associate and joint ventures	11.2	13.9
Share of dividends received or repayment of partner contribution	(1.8)	(3.0)
Investment in associate and joint ventures at the end of the year	193.1	166.5

9. Distribution to shareholders

As part of the changes negotiated to Auckland Airport's banking covenants in February 2022, Auckland Airport agreed that no dividends would be paid until after 31 December 2022. No dividends were paid during the year ended 30 June 2023.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $43.2 million (2022: $191.6 million).

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

	2023 Shares	2022 Shares
For basic earnings per share	1,472,279,341	1,472,139,301
Effect of dilution of share options	176,212	302,480
For diluted earnings per share	1,472,455,553	1,472,441,781

The 2023 reported basic earnings per share is 2.93 cents (2022: 13.02 cents).

The 2023 reported diluted earnings per share is 2.93 cents (2022: 13.01 cents).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

11. Property, plant and equipment

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

	Land $M	Buildings and services $M	Infrastructure $M	Runway, taxiways and aprons $M	Vehicles, plant and equipment $M	Total $M
Year ended 30 June 2023						
Balances at 1 July 2022						
At fair value	4,319.1	1,361.1	615.6	366.2	-	6,662.0
At cost	-	-	-	-	221.7	221.7
Work in progress at cost	-	192.6	45.3	64.5	56.2	358.6
Accumulated depreciation	-	(0.4)	(44.3)	(32.2)	(179.3)	(256.2)
Balances at 1 July 2022	4,319.1	1,553.3	616.6	398.5	98.6	6,986.1
Additions and transfers within property, plant and equipment	-	378.7	107.1	46.2	(12.9)	519.1
Transfers from/(to) investment property	15.4	(1.1)	-	-	(0.3)	14.0
Disposals	-	(3.5)	-	-	-	(3.5)
Fair value change recognised in the revaluation reserve	53.0	-	101.8	63.8	-	218.6
Fair value change recognised in the income statement	0.3	-	(9.7)	(6.2)	-	(15.6)
Impairment	-	(2.7)	-	-	-	(2.7)
Impairment through revaluation reserve – flood-related	-	(21.0)	-	-	-	(21.0)
Impairment through the income statement – flood-related	-	(0.2)	-	-	(0.1)	(0.3)
Reversal of impairment	-	-	-	1.0	-	1.0
Write-offs	-	(1.0)	(0.1)	(1.0)	-	(2.1)
Depreciation	-	(72.7)	(34.6)	(16.3)	(21.7)	(145.3)
Movement to 30 June 2023	68.7	276.5	164.5	87.5	(35.0)	562.2
Balances at 30 June 2023						
At fair value	4,387.8	1,401.5	735.4	416.9	-	6,941.6
At cost	-	-	-	-	246.0	246.0
Work in progress at cost	-	500.8	73.5	71.1	18.2	663.6
Accumulated depreciation	-	(72.5)	(27.8)	(2.0)	(200.6)	(302.9)
Balances at 30 June 2023	4,387.8	1,829.8	781.1	486.0	63.6	7,548.3

Additions for the year ended 30 June 2023 include capitalised interest of $16.7 million (2022: $7.2 million).

Impairments and write-offs for the year ended 30 June 2023 include write-downs related to the flood damage. Refer to note 3(f).

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 $344.7 million (30 June 2022: $319.8 million);
- Land associated with retail facilities within terminal buildings carried at $1,661.0 million (30 June 2022: $1,452.4 million); and
- Terminal building premises (within buildings and services), being 15% of total floor area and carried at $224.0 million (30 June 2022: 14% of total floor area or $183.0 million).

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

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

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2023						
At historical cost	154.1	1,394.5	688.7	431.4	246.0	2,914.7
Work in progress at cost	-	500.8	73.5	71.1	18.2	663.6
Accumulated depreciation	-	(682.0)	(206.0)	(241.0)	(200.6)	(1,329.6)
Net carrying amount	154.1	1,213.3	556.2	261.5	63.6	2,248.7
Year ended 30 June 2022						
At historical cost	154.0	1,368.5	592.2	392.0	221.7	2,728.4
Work in progress at cost	-	192.6	45.3	64.5	56.2	358.6
Accumulated depreciation	-	(655.4)	(184.6)	(231.2)	(179.3)	(1,250.5)
Net carrying amount	154.0	905.7	452.9	225.3	98.6	1,836.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

11. Property, plant and equipment CONTINUED

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

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

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

Land assets were independently valued at 30 June 2023 by Savills Limited (Savills), Jones LangLaSalle Limited (JLL), CBRE Limited (CBRE) and Aon Risk Solutions (AON). Infrastructure and runway, taxiways and aprons assets were independently valued by Beca Projects NZ Limited (Beca) at 30 June 2023.

Buildings and services assets were not revalued at 30 June 2023 but were impaired for damage caused by the January 2023 flood event as described below. The revaluation assessment is that, following the impairments, there is not a material difference between the carrying value and the fair value of this asset class at 30 June 2023. The revaluation assessment was supported by an initial review of replacement costs by Beca at 31 March 2023, to determine whether a revaluation was likely to be required, followed by management's review of subsequent evidence at 30 June 2023. Both the Beca review and management's assessment were based on movements in relevant subcategories of the capital goods price index. The valuation approach is the optimised depreciated replacement cost. Movements in the relevant capital goods price index subcategories provide a strong indication of movements in the cost of replacing these assets as at 30 June 2023. The impairment assessment is described below.

Impairment and write-offs – flood damage

The group assessed that certain assets in the following asset classes were impaired due to damage from the January 2023 flood event:

- Buildings and services; and
- Vehicles, plant and equipment.

The most significant areas of damage were to check-in, baggage and vertical transportation at the international terminal building. The group engaged independent experts to estimate the costs to repair or replace damaged assets and has recognised the following impairments:

- Buildings and services, $21.0 million recognised as a reduction in revaluation reserve and $0.2 million through profit or loss; and
- Vehicles, plant and equipment, $0.1 million recognised as an expense in the income statement.

The group has assessed that there were no indicators of impairment to land, infrastructure or runways, taxiways and aprons assets that are carried at fair value.

Impairment and write-offs – capital work in progress

In response to reduced aeronautical activity during the COVID-19 pandemic, Auckland Airport suspended some capital expenditure projects and impaired its capital work in progress portfolio. The group has reassessed the capital work in progress portfolio and, for the year ended 30 June 2023, has reported additional impairments of $1.7 million (30 June 2022: $6.1 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. The group recognised $2.1 million of write-offs during the year (2022: $0.8 million). 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 impairments of flood-damaged assets and 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 2(e). During the year, there were no transfers between the levels of the fair value hierarchy.

Land valuations

The valuers applied significant judgement in the valuation of land associated with car park facilities and retail facilities within terminal buildings at 30 June 2023. The major inputs and assumptions that required judgement included

- Forecasts of the recovery of domestic and international air travel; and
- Expected passenger flows and their expected car parking and retail expenditure.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

11. Property, plant and equipment CONTINUED

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

		2023		2022	
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)	$105 – 182	$138	$125 - 227	$169
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)	$53 – 98	$72	$48 - 93	$67
	Holding period (excluding approaches)	5.0 years	N/A	5.0 years	N/A
	Airfield land discount rate	12.00%	N/A	12.00%	N/A
	Rate per sqm (approaches)	$20 – 127	$38	$21 - 127	$38
Reclaimed land seawalls	Unit costs of seawall construction per m	$5,279 – 11,361	$8,533	$4,672 - 10,055	$7,552
Optimised depreciated replacement cost	Unit costs of reclamation per sqm	$208 – 208	$208	$173 - 173	$173
Aeronautical land, including land associated with aircraft, freight and terminal uses	Rate per sqm (excluding commercially leased assets)	$160 – 1,083	$306	$181 - 1,212	$300
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	$52 – 1691	$209	$50 - 342	$146
	Market capitalisation rate – average	5.00 – 6.50%	5.76%	4.00 - 6.17%	4.87%
	Terminal capitalisation rate	4.75 – 6.75%	6.10%	4.00 - 6.25%	5.38%
	Discount rate	5.00 – 8.50%	7.60%	6.00 - 8.00%	6.64%
	Rental growth rate (per annum)	2.68 – 3.05%	2.98%	2.52 - 2.99%	2.66%
Land associated with car park facilities	Discount rate	9.25 – 13.50%	11.23%	8.00 - 12.50%	10.35%
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	6.75 – 8.75%	7.49%	6.50 - 8.75%	7.28%
	Revenue growth rate (per annum)	0.83 – 12.96%	7.02%	5.64 - 24.13%	14.21%
Land associated with retail facilities within terminal buildings	Discount rate	9.50 – 10.38%	10.35%	8.00 - 8.75%	8.72%
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	8.25 – 8.25%	8.25%	8.00 - 10.25%	8.10%
	Revenue growth rate (per annum)	-9.08 – 2.96%	2.62%	2.93 - 3.92%	3.87%
	Market capitalisation rate	7.00 – 12.50%	7.15%	5.75 - 6.00%	5.99%
Other land					
Direct sales comparison	Rate per sqm	$100 – 226	$131	$100 - 226	$131

Asset valuation approach	Inputs used to measure fair value	2023 Range of significant inputs	2023 Weighted average	2022 Range of significant inputs	2022 Weighted average
Buildings and services					
Terminal buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,686 – 19,536	$11,186	$1,686- 19,536	$11,186
Other buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$997 – 9,064	$1,993	$997 - 9,064	$1,993
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost	Unit costs of pipe construction per m	$180 – 13,600	$580	$158 - 5,832	$898
Electricity					
Optimised depreciated replacement cost	Unit costs of electrical cabling construction per m	$174 – 556	$411	$141 - 450	$409
Roads					
Optimised depreciated replacement cost	Unit costs of road and footpaths construction per sqm	$52 – 273	$105	$58 - 185	$111
Other infrastructure assets					
Optimised depreciated replacement cost	Unit costs of navigation aids and lights	$4,345 – 11,296	$7,645	$323 - 95,559	$12,635
	Unit costs of fuel pipe construction per m	$4,049 – 43,387	$4,735	$3,047 - 4,352	$4,180
Runway, taxiways and aprons					
Optimised depreciated replacement cost	Unit costs of concrete pavement construction per sqm	$436 – 1,288	$643	$340 - 532	$527
	Unit costs of asphalt pavement construction per sqm	$181 – 1,244	$343	$155 - 340	$337

The valuation inputs for land are from the 2023 valuation, while the prior year's comparatives are from the 2022 valuation of these assets. The valuation inputs for infrastructure and runway, taxiways and aprons are from the 2023 valuation, while the prior year's comparatives are from the 2020 valuation of these assets.The valuation inputs for buildings and services are unchanged from the 2022 valuation. This asset class was not revalued in 2023 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 2023

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 2023		30 June 2022	
Asset classification	Valuer	$M	Valuer	$M
Airfield land, including land for runway, taxiways, aprons and approaches[1]	Savills	1,065.2	Savills	1,165.0
Reclaimed land seawalls[1]	AON / Savills	348.1	AON / Savills	296.2
Aeronautical land, including land associated with aircraft, freight and terminal uses[1]	JLL / Savills	531.2	JLL / Savills	645.8
Land associated with car park facilities[1]	CBRE / Savills	510.2	CBRE	611.1
Land associated with retail facilities within terminal buildings[1]	CBRE / Savills	1,664.5	CBRE	1,452.4
Other land[1]	CBRE / Savills	268.6	JLL / Savills	148.6
Terminal buildings[2]	Beca	1,447.8	Beca	1,324.6
Other buildings[3]	Beca	382.0	Beca	228.7
Water and drainage[4]	Beca	225.3	Beca	158.7
Electricity[4]	Beca	84.9	Beca	48.5
Roads[4]	Beca	286.0	Beca	246.4
Other infrastructure assets[4]	Beca	184.9	Beca	163.0
Runway, taxiways and aprons[5]	Beca	486.0	Beca	398.5
Assets carried at fair value		7,484.7		6,887.5
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	63.6	N/A	98.6
Balance at 30 June		7,548.3		6,986.1

1 Land assets were revalued at 30 June 2023. This class was previously revalued at 30 June 2022.
2 At 30 June 2023, the assessment is that there is no material change in the fair value of terminal buildings assets compared with carrying values. This class was last revalued at 30 June 2022.
3 At 30 June 2023, the assessment is that there is no material change in the fair value of building and services assets compared with carrying values. This class was last revalued at 30 June 2022.
4 Infrastructure assets were revalued at 30 June 2023. This class was last revalued at 30 June 2020.
5 Runways,taxiways and aprons were revalued at 30 June 2023. This class was last revalued at 30 June 2020.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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 2023					
Balance at the beginning of the year	328.8	1,879.8	466.9	221.9	2,897.4
Additions	45.2	78.1	2.2	0.4	125.9
Transfers from/(to) property, plant and equipment (note 11)	(10.3)	1.4	(5.1)	-	(14.0)
Transfers within investment property	47.5	20.0	(39.5)	(28.0)	-
Investment property fair value change	(5.2)	(122.7)	11.3	(23.1)	(139.7)
Lease incentives capitalised	-	0.5	-	1.2	1.7
Lease incentives amortised	-	(0.6)	-	(0.1)	(0.7)
Spreading of fixed rental increases	0.4	9.6	-	1.5	11.5
Net carrying amount	406.4	1,866.1	435.8	173.8	2,882.1
Year ended 30 June 2022					
Balance at the beginning of the year	301.5	1,709.4	414.3	216.2	2,641.4
Additions	8.1	31.3	-	0.1	39.5
Transfers from/(to) property, plant and equipment (note 11)	(2.1)	7.0	(4.2)	-	0.7
Transfers within investment property	-	2.1	(2.2)	0.1	-
Write-offs	-	-	-	-	-
Investment property fair value change	20.8	119.0	59.0	5.6	204.4
Lease incentives capitalised	0.4	7.8	-	-	8.2
Lease incentives amortised	-	(2.3)	-	(0.1)	(2.4)
Spreading of fixed rental increases	0.1	5.5	-	-	5.6
Net carrying amount	328.8	1,879.8	466.9	221.9	2,897.4

Additions for the year ended 30 June 2023 include capitalised interest of $2.7 million (2022: $0.8 million).

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

All valuations have been reviewed by the group's property management team, which have determined the valuations to be appropriate as at 30 June 2023.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

12. Investment properties CONTINUED

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

		2023		2022	
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)	$55 – $773	$277	$145 – $588	$277
	Market capitalisation rate	3.34 – 7.80%	5.84%	4.25 – 7.00%	5.33%
	Terminal capitalisation rate	4.75 – 8.00%	6.19%	4.50 – 7.25%	5.65%
	Discount rate	6.75 – 8.50%	7.60%	6.00 – 7.75%	6.80%
	Rental growth rate (per annum)	2.03 – 3.05%	2.82%	2.02 – 2.99%	2.76%
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)	$159 – $344	$189	$130 – $310	$162
	Market capitalisation rate	4.18 – 6.59%	5.25%	3.58 – 6.00%	4.32%
	Terminal capitalisation rate	4.38 – 7.00%	5.56%	3.68 – 6.25%	4.65%
	Discount rate	6.50 – 8.75%	7.40%	5.75 – 7.75%	6.33%
	Rental growth rate (per annum)	2.50 – 3.05%	3.01%	2.50 – 2.99%	2.94%
Vacant land					
Direct sales comparison and residual value	Rate per sqm	$7 – 1,153	$194	$7 – 1,153	$200
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)	$59 – $424	$305	$35 – $424	$287
	Market capitalisation rate	4.32 – 7.04%	5.70%	3.94 – 6.50%	5.04%
	Terminal capitalisation rate	4.63 – 7.37%	6.11%	4.25 – 6.75%	4.90%
	Discount rate	6.50 – 8.50%	7.53%	6.00 – 8.00%	6.26%
	Rental growth rate (per annum)	0.45 – 3.05%	2.56%	2.50 – 2.93%	2.34%

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

	2023 $M	2022 $M
Colliers International	846.9	898.0
Savills Limited	817.9	1,022.4
Jones Lang LaSalle Limited	1,047.4	905.4
Investment property carried at cost	169.9	71.6
Total fair value of investment properties	2,882.1	2,897.4

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

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

	2023 $M	2022 $M
Rental income for investment properties	114.0	95.3
Recoverable cost income	10.6	7.9
Direct operating expenses for investment properties that derived rental income	(12.6)	(9.6)
Direct operating expenses for investment properties that did not derive rental income	(3.8)	(2.3)

The following categories of investment property are leased to tenants:

- Retail and service carried at $406.4 million (30 June 2022: $328.8 million);
- Industrial carried at $1,866.1 million (30 June 2022: $1,879.8 million); and
- Other investment property carried at $173.8 million (30 June 2022: $221.9 million).

The above values include the land associated with these properties.

13. Cash and cash equivalents

	2023 $M	2022 $M
Short-term deposits	99.6	22.9
Cash and bank balances	6.6	1.8
Total cash and cash equivalents	106.2	24.7

Cash and bank balances earn interest at daily bank deposit rates. During the year, surplus funds were deposited on the overnight money market at a rate of 1.85% to 6.00% (2022: at a rate of 0.25% to 2.00%).

At 30 June 2023, Auckland Airport held total cash and cash equivalents of $106.2 million (2022: $24.7 million). The short-term deposits at 30 June 2023 ranged from $15.0 million to $35.0 million and were spread across four financial institutions to minimise credit risk, with those being ASB Bank, Bank of China, Bank of New Zealand and Westpac (2022: $10.0 million to $13.0 million across two 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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

14. Trade and other receivables

	2023 $M	2022 $M
Trade receivables	16.6	5.1
Less: Expected credit losses	(0.4)	(2.8)
Net trade receivables	16.2	2.3
Prepayments	8.7	7.0
GST receivable	4.4	0.4
Revenue accruals and other receivables	22.3	18.8
Total trade and other receivables	51.6	28.5

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. The group has assessed its expected credit losses including a general provision based on lifetime expected losses combined with specific provisions for individual debtors where there is evidence that the group will not be able to collect the receivable (refer note 2(k)).

15. Issued and paid-up capital

	2023 $M	2022 $M	2023 Shares	2022 Shares
Opening number issued and paid-up capital at 1 July	1,680.2	1,679.2	1,472,195,131	1,472,034,637
Shares fully paid and allocated to employees by employee share scheme	0.6	0.6	84,210	102,300
Shares vested for employees participating in long-term incentive plans	-	0.4	-	58,194
Closing issued and paid-up capital at 30 June	1,680.8	1,680.2	1,472,279,341	1,472,195,131

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 9, no dividends were paid during the year ended 30 June 2023.

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.

16. Reserves

(a) Cancelled share reserve

	2023 $M	2022 $M
Balance at 30 June	(609.2)	(609.2)

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

(b) Property, plant and equipment revaluation reserve

	2023 $M	2022 $M
Balance at 1 July	5,040.2	5,099.9
Reclassification to retained earnings	(10.1)	(7.0)
Revaluation	218.6	75.8
Flood-related fixed asset impairments	(21.0)	-
Movement in deferred tax	(40.4)	(128.5)
Balance at 30 June	5,187.3	5,040.2

The property, plant and equipment revaluation reserve records the revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons. The $197.6 million increase in revaluation reserve, during the year ended 30 June 2023, includes a $165.6 million increase in infrastructure, runways, taxiways and aprons less $21.0 million of flood-related impairments to buildings and services, all of which are subject to deferred tax. Land increased by $53.0 million with no tax impact (2022: $383.7 million increase in land with no tax impact).

(c) Share-based payments reserve

	2023 $M	2022 $M
Balance at 1 July	2.1	2.0
Long-term incentive plan expense	0.5	(0.1)
Reclassification to retained earnings on LTI not vested	(0.6)	-
Movement in deferred tax	-	0.2
Balance at 30 June	2.0	2.1

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

	2023 $M	2022 $M
Balance at 1 July	17.7	(50.4)
Fair value change in hedging instrument	19.1	85.5
Transfers to the income statement relating to:		
Hedged transactions in the income statement	0.2	9.1
Movement in deferred tax	(5.4)	(26.5)
Balance at 30 June	31.6	17.7

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 2023

16. Reserves CONTINUED

(e) Cost of hedging reserve

	2023 $M	2022 $M
Balance at 1 July	(1.7)	(1.1)
Change in currency basis spreads (when excluded from designated hedges)	-	(0.8)
Movement in deferred tax	-	0.2
Balance at 30 June	(1.7)	(1.7)

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

	2023 $M	2022 $M
Balance at 1 July	50.9	37.0
Share of reserves of associate and joint ventures	11.2	13.9
Balance at 30 June	62.1	50.9

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

	2023 $M	2022 $M
Employee entitlements	10.3	9.5
Property, plant and equipment retentions and payables	64.2	24.8
Investment property retentions and payables	23.3	6.9
Trade payables	12.5	10.4
Interest payables	15.2	9.6
Other payables and accruals	34.4	25.9
Total accounts payable and accruals	159.9	87.1

The amount owing to the related parties at 30 June 2023 is $2.6 million (2022: $7.7 million), refer note 22.

18. Financial assets and liabilities

	Notes	2023 $M	2022 $M
Current financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	13	106.2	24.7
Trade and other receivables		38.5	21.1
		144.7	45.8
Derivative financial instruments			
Interest rate swaps - cash flow hedges		1.5	-
Forward exchange contracts		0.1	-
Total current financial assets		**146.3**	**45.8**
Non-current financial assets			
Derivative financial instruments			
Interest rate swaps – cash flow hedges		45.0	28.1
		45.0	28.1
Total non-current financial assets		**45.0**	**28.1**
Total financial assets		**191.3**	**73.9**
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals	17	159.9	87.1
Short-term borrowings	18(a)	428.8	515.6
Provisions	21	7.5	6.5
		596.2	609.2
Derivative financial instruments			
Interest rate swaps – cash flow hedges		-	0.9
Total current financial liabilities		**596.2**	**610.1**
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18(a)	1,388.3	961.0
Other term liabilities		3.5	3.3
		1,391.8	964.3
Derivative financial instruments			
Interest rate swaps – cash flow hedges		-	2.4
Interest rate swaps – fair value hedges		11.6	8.3
Cross-currency interest rate swaps		13.7	5.0
Total non-current financial liabilities		**1,417.1**	**980.0**
Total financial liabilities		**2,013.3**	**1,590.1**

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

Amounts subject to potential offset
The group’s derivative financial instruments are subject to enforceable master netting arrangements. Each agreement allows the parties to elect net settlement of the relevant financial assets and liabilities in the event of default of the other party. The group's financial statements do not offset assets and liabilities with the same counterparties. Instead, it reports each derivative as either an asset or liability. However, if offsets were enforced by either party, the potential net amounts (assets less liabilities) would be derivative financial assets of $21.3 million (2022: derivative financial assets of $11.5 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

(a) Borrowings

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

	Maturity	Coupon[1]	2023 $M	2022 $M
Current				
Commercial paper	< 3 months	Floating	166.8	142.6
Bank facility	20-11-2022	Floating	-	73.0
Bank facility	1-10-2023	Floating	37.0	-
Bonds	11-10-2022	Floating	-	100.0
Bonds	9-11-2022	4.28%	-	100.0
Bonds	17-04-2023	3.64%	-	100.0
Bonds	2-11-2023	3.97%	225.0	-
Total short-term borrowings			428.8	515.6
Non-current				
Bank facility	31-07-2023	Floating	-	28.0
Bank facility	1-10-2023	Floating	-	37.0
Bank facility	16-08-2024	Floating	100.0	100.0
Bank facility	3-11-2025	Floating	103.0	-
Bonds	2-11-2023	3.97%	-	225.0
Bonds	10-10-2024	3.51%	150.0	150.0
Bonds	13-10-2025	Floating	150.0	-
Bonds	17-04-2026	Floating	100.0	-
Bonds	9-05-2028	5.67%	225.1	-
Bonds	17-11-2026	3.29%	139.1	141.2
Bonds	17-11-2028	5.29%	150.0	-
AMTN notes[2]	23-09-2027	4.50%	271.1	279.8
Total term borrowings			1,388.3	961.0
Total				
Commercial paper			166.8	142.6
Bank facilities			240.0	238.0
Bonds			1,139.2	816.2
AMTN notes			271.1	279.8
Total borrowings			1,817.1	1,476.6

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

Movement in borrowings

	2023 $M	2022 $M
Total borrowings at the beginning of the year	1,476.6	1,392.8
Decrease in borrowings during the year	(401.0)	(72.0)
Increase in borrowings during the year	752.2	200.6
Amortisation of premium received for issue at non-market rates	(0.5)	(0.7)
Revaluation of foreign denominated debt for changes in FX rate	(4.6)	8.4
Revaluation of debt in fair value hedge relationship	(5.6)	(52.5)
Total borrowings at the end of the year	1,817.1	1,476.6

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 2023, the group undertook the following bank finance activity:

- In November 2022 the company entered into the following new bank facilities:
  - A $125 million three-year facility with Commonwealth Bank of Australia;
  - A $125 million four-year facility with Commonwealth Bank of Australia;
  - A $125 million four-year facility with China Construction Bank Corporation; and
  - A $50 million three-year facility with MUFG Bank, Ltd.
- The following facilities either matured or were cancelled:
  - The AU$90 million facility with Commonwealth Bank of Australia matured in November 2022.
  - The $95 million facility with China Construction Bank Corporation matured in November 2022.
  - The $50 million facility with MUFG Bank, Ltd set to mature in February 2023 was cancelled.
- The two $195 million bank facilities with MUFG Bank, Ltd and Westpac New Zealand Limited were both reduced to $110 million.

The net effect of the above bank refinancing activity was an increase in total available facilities of $10 million.

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

In the year ended 30 June 2023, the group undertook the following bond financing:

- The issuance of $150.0 million of three-year floating rate notes in October 2022 which was used to refinance the maturing $100 million floating rate notes and provide additional liquidity;
- The issuance of $225.0 million of 5.5-year, 5.67% fixed rate bonds in November 2022, which was used to refinance the maturing $100 million fixed rate bonds and provide additional liquidity;
- The issuance of $100.0 million of three-year floating rate notes in April 2023 which was used to refinance the maturing $100 million fixed rate bonds; and
- The issuance of $150.0 million of 5.5-year, 5.29% in May 2023 which was used to provide additional liquidity.

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

During the current and prior periods, there were no defaults or breaches on any of the borrowing facilities. The group has negotiated modified interest coverage covenants applying from calendar year 2022 onwards. The EBITDA-based measures step up progressively, broadly in line with the anticipated COVID-19 recovery. The interest coverage covenants are summarised in note 3(d).

(b) Hedging activity and derivatives

Cash flow hedges
At 30 June 2023, 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 2023 is $1,065.0 million (2022: $1,145.0 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.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

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.

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 Australian fixed interest rates to 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. 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, derivatives and AMTN notes in a hedging relationship with fair value hedges recognised in the income statement in interest expense during the period were:

	2023 $M	2022 $M
Gains/(losses) on the AMTN notes	8.1	35.4
Gains/(losses) on the bonds	2.1	8.7
Gains/(losses) on the derivatives	(10.7)	(42.6)

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

	2023 $M	2022 $M
Credit valuation adjustments on hedges qualifying for hedge accounting	(0.7)	1.7
Derivative fair value change	(0.7)	1.7

The details of the hedging instruments as at 30 June 2023 and 30 June 2022 are as follows:

As at 30 June 2023	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument M	Statement of financial position line item	Carrying amount of the hedging instrument Assets $M	Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges								
Interest rate swaps	NZD	3.41%	1 – 6	NZ$1,065.0	Derivative financial instruments	46.5	-	45.2
Fair value and cash flow hedges								
Interest rate swaps	NZD	Floating	3 – 5	NZ$375.0	Derivative financial instruments	-	11.6	(10.9)
Cross-currency swaps	NZD:AUD	Floating	4	AU$260.0	Derivative financial instruments	-	13.7	(13.1)
Net hedging instruments						46.5	25.3	21.2

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

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 2023 and 30 June 2022 are as follows:

As at 30 June 2023	Statement of financial position line item	Carrying amount of the hedged item Assets $M	Carrying amount of the hedged item Liabilities $M	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets $M	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges						
Aggregated variable interest rate exposure	Short-term/ Term borrowings	-	640.0	-	-	(30.7)
Highly probable forecast variable rate debt	-	-	-	-	-	(15.7)
Fair value hedges						
Aggregated variable interest rate exposure	Term borrowings	-	364.2	-	(10.8)	11.0
Fair value and cash flow hedges						
AMTN notes (AU$260 million)	Term borrowings	-	271.1	-	(15.7)	11.9
Net hedged items		-	1,275.3	-	(26.5)	(23.5)

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

(c) Fair value

There have been no transfers between levels of the fair value hierarchy as described in note 2(e) in the year ended 30 June 2023 (2022: 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 as described in note 2(e). The fair value of the bonds is based on the quoted market prices for these instruments at balance date. The group's AMTN notes are classified as Level 2. The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	2023		2022	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Bonds	1,139.2	1,145.2	816.2	816.5
AMTN notes	271.1	277.7	279.8	285.0

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

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

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

(d) Financial risk management objectives and policies

(i) Credit risk

The group's maximum exposure to credit risk at 30 June 2023 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 (2022: 'A' or above).

The group's credit risk is also attributable to accounts receivable, which principally comprise amounts due from airlines, tenants and retail licensees. At 30 June 2023, the group identified $0.4 million of accounts receivable relating to customers who are at risk of not being able to meet their payment obligations (2022: $2.8 million), refer to note 14.

The group has a policy that manages exposure to credit risk by way of requiring a performance bond for material lease contracts or other customers whose credit rating or history indicates that this would be prudent. The value of performance bonds for the group is $3.5 million (2022: $3.3 million).

(ii) Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings on the money market, bank loans, commercial paper, 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 2023, this undrawn facility headroom was $963.0 million (2022: $954.5 million). The group's policy also requires the spreading of debt maturities.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

Bank facilities

During the year ended 30 June 2023, the group extended the maturity dates for a number of bank facilities as illustrated in the table below. All bank facilities are multi-currency facilities.

Type : Multi-currency facility Bank	Maturity (June 2023)	Facility currency	2023 Available NZ $M	2023 Drawn NZ $M	2023 Undrawn NZ $M	2022 Available NZ $M	2022 Drawn NZ $M	2022 Undrawn NZ $M
ANZ Bank New Zealand	31-07-2023	NZD	100.0	-	100.0	100.0	-	100.0
Bank of China (New Zealand) Ltd	31-07-2023	NZD	28.0	-	-	28.0	28.0	-
Bank of New Zealand	24-04-2025	NZD	150.0	-	150.0	150.0	-	150.0
China Construction Bank Corporation Ltd	16-11-2022	NZD	-	-	-	95.0	73.0	22.0
China Construction Bank Corporation Ltd	3-04-2024	NZD	30.0	-	30.0	30.0	-	30.0
China Construction Bank Corporation Ltd	15-11-2026	NZD	125.0	-	125.0	-	-	-
Commonwealth Bank of Australia	30-11-2022	AUD	-	-	-	99.5	-	99.5
Commonwealth Bank of Australia	3-11-2025	NZD	125.0	103.0	50.0	-	-	-
Commonwealth Bank of Australia	3-11-2026	NZD	125.0	-	125.0	-	-	-
Mizuho Bank, Ltd. Sydney Branch OBU	1-10-2023	NZD	70.0	37.0	33.0	70.0	37.0	33.0
Mizuho Bank, Ltd. Sydney Branch OBU	26-07-2024	NZD	100.0	100.0	-	100.0	100.0	-
MUFG Bank, Ltd.	28-02-2023	NZD	-	-	-	50.0	-	50.0
MUFG Bank, Ltd.	31-10-2023	NZD	110.0	-	110.0	195.0	-	195.0
MUFG Bank, Ltd.	2-11-2025	NZD	50.0	-	50.0	-	-	-
Westpac New Zealand Limited	31-07-2023	NZD	80.0	-	80.0	80.0	-	80.0
Westpac New Zealand Limited	31-10-2023	NZD	110.0	-	110.0	195.0	-	195.0
		Total NZD equivalent	**1,203.0**	**240.0**	**963.0**	**1,192.5**	**238.0**	**954.5**

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 2023. 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 2023						
Financial assets						
Cash and cash equivalents	106.2	106.2	106.2	-	-	-
Accounts receivable	38.5	38.5	38.5	-	-	-
Derivative financial assets	46.6	51.9	13.5	25.1	12.0	1.4
Total financial assets	191.3	196.6	158.2	25.1	12.0	1.4
Financial liabilities						
Accounts payable, accruals and other term liabilities	(170.9)	(170.9)	(170.9)	-	-	-
Commercial paper	(166.8)	(168.0)	(165.6)	-	-	-
Bank facilities	(240.0)	(272.8)	(37.0)	(203.0)	-	-
Bonds	(1,139.2)	(1,328.0)	(225.0)	(400.0)	(375.0)	(150.0)
AMTN notes	(271.1)	(341.3)	-	-	(283.0)	-
Derivative financial liabilities	(25.3)	(33.0)	(13.2)	(16.9)	(2.8)	-
Interest payable	-	-	(84.9)	(118.9)	(63.8)	(4.0)
Total financial liabilities	(2,013.3)	(2,314.0)	(696.6)	(738.8)	(724.6)	(154.0)
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	24.7	24.7	24.7	-	-	-
Accounts receivable	21.1	21.1	21.1	-	-	-
Derivative financial assets	28.1	32.3	2.1	13.2	12.4	4.6
Total financial assets	73.9	78.1	47.9	13.2	12.4	4.6
Financial liabilities						
Accounts payable, accruals and other term liabilities	(96.9)	(96.9)	(96.9)	-	-	-
Commercial paper	(142.6)	(143.0)	(142.2)	-	-	-
Bank facilities	(238.0)	(253.5)	(73.0)	(165.0)	-	-
Bonds	(816.3)	(881.1)	(300.0)	(375.0)	(150.0)	-
AMTN notes	(279.8)	(358.6)	-	-	-	(287.5)
Derivative financial liabilities	(16.6)	(22.6)	(6.8)	(12.4)	(8.9)	5.4
Interest payable	-	-	(48.5)	(55.4)	(33.2)	(6.5)
Total financial liabilities	(1,590.2)	(1,755.7)	(667.4)	(607.8)	(192.1)	(288.6)

(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, 63.2% (2022: 71.5%) 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 six years from 30 June 2023 (2022: one month and seven years).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

18. Financial assets and liabilities CONTINUED

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:

	2023 $M	2022 $M
Financial assets		
Cash and cash equivalents	106.2	24.7
	106.2	24.7
Financial liabilities		
Bonds swapped to floating	225.0	150.0
Bank facilities	56.0	58.0
Commercial paper	97.0	57.6
AMTN notes	159.5	159.5
	537.5	425.1
Net exposure	431.3	400.4

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:

	2023 $M	2022 $M
Increase in interest rates of 10 basis points		
Effect on profit before taxation	(0.4)	(0.4)
Effect on equity before taxation	4.0	3.3
Decrease in interest rates of 10 basis points		
Effect on profit before taxation	0.4	0.4
Effect on equity before taxation	(4.0)	(3.4)

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 2023 of $431.3 million (2022: $400.4 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 2023 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 2023 and 30 June 2022, the group was exposed to foreign currency risk with respect to the Australian dollar arising from Australian Medium Term Notes ('AMTN'). This exposure has been fully hedged by way of cross-currency interest rate swaps hedging both principal and interest.

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

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

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

The following sensitivity analysis is based on the foreign currency risk exposure to the Australian dollar in existence at 30 June 2023. 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:

	2023 $M	2022 $M
Increase in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	(0.2)	(0.5)
Decrease in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	0.3	0.6

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 0.91885 for AUD (2022: 0.90445) 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 2023, Auckland Airport continued with key capital management initiatives including the cancellation of dividends (note 9) to maintain 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 2023 is 12.0% (2022: 12.1%). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2023 is 'A- Stable Outlook' (2022: 'A- Stable Outlook').

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

19. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $560.3 million at 30 June 2023 (2022: $198.8 million). These include the development of a new Transport Hub opposite the international terminal, aeronautical works, and enabling works associated with the integration of the domestic and international terminals.

(b) Investment property

The group had contractual obligations to either purchase, develop, repair or maintain investment property for $215.4 million at 30 June 2023 (2022: $34.3 million). These include the development of the new premier outlet centre, Mānawa Bay, alongside industrial developments.

(c) Joint ventures

During the year ended 30 June 2023, the Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture) tendered a contract for the second and final phase of development of a new Pullman Hotel. At 30 June 2023, the joint venture's contractual obligations for the hotel development were $12.7 million (30 June 2022: $82.0 million). The group's share of those commitments was $6.4 million at 30 June 2023 (30 June 2022: $41.0 million).

(d) Operating lease receivable – group as lessor

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

These non-cancellable leases have remaining terms of between one month and 28 years (2022: one month and 29 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.

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

	2023 $M	2022 $M
Within one year	244.3	116.4
Between one and two years	211.8	103.9
Between two and three years	105.4	95.6
Between three and four years	97.4	87.6
Between four and five years	79.6	78.7
After more than five years	663.6	740.0
Total minimum lease payments receivable	1,402.1	1,222.2

20. Contingent liabilities

Noise mitigation

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

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

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $7.6 million (2022: $7.8 million), refer note 21.

Contractor claims

A contingent liability of $4.6 million (2022: $7.3 million) has been recognised for contractor claims in respect of capital works which are under ongoing independent assessment of both entitlement and value. The group has taken a conservative view and recognised as a contingent liability the total uncertified contractor claims.

21. Provisions

Firefighting foam contaminated water and soil clean-up
Per and PolyFluoroalkyl Substances (PFAS) containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand. There is evidence of varying levels of PFAS contaminated surface water and sediment derived from historical firefighting foams used at Auckland Airport. The group has provided for anticipated remediation costs of $7.1 million (2022: $6.0 million).

Noise mitigation
Annual projections of aircraft noise levels determine requirements for Auckland Airport to fund noise mitigation packages for dwellings and schools affected by aircraft noise.

The company makes an annual offer to affected landowners and, on acceptance of an offer, the group records a provision for the estimated cost of installing that year's mitigation packages. The annual cost varies depending on the extent of properties affected and the number of offers accepted. As disclosed in note 20, it is estimated that further costs on noise mitigation should not exceed $7.6 million (2022: $7.8 million).

	Foam disposal $M	Noise mitigation $M	Total $M
Year ended 30 June 2023			
Opening balance	6.0	0.5	6.5
Provisions made during the year	1.2	0.1	1.3
Expenditure for the year	(0.1)	(0.2)	(0.3)
Total provisions at year end	7.1	0.4	7.5
Year ended 30 June 2022			
Opening balance	0.2	0.5	0.7
Provisions made during the year	5.9	0.2	6.1
Expenditure for the year	(0.1)	(0.2)	(0.3)
Total provisions at year end	6.0	0.5	6.5

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% (2022: 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

22. Related party disclosures CONTINUED

Transactions with Auckland Council and its subsidiaries are as follows:

	2023 $M	2022 $M
Rates	24.3	13.6
Building consent costs and other local government regulatory obligations	1.8	1.5
Water, wastewater and compliance services	2.7	1.8
Grounds maintenance	-	1.4

There was no amount owing to Auckland Council at 30 June 2023 (2022: $0.1 million).

Interest of directors in certain transactions

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

These transactions include the following:

	2023 $M	2022 $M
Fulton Hogan	31.9	17.2
Hawkins	41.5	2.9
Downer New Zealand Limited	1.6	33.3

Amounts owing to related parties are as follows:

	2023 $M	2022 $M
Fulton Hogan	2.5	2.6
Hawkins	-	-
Downer New Zealand Limited	0.1	5.0

The group's common director relationship with Downer New Zealand Limited and its subsidiary Hawkins ended on 31 January 2023.

Associate and joint ventures

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

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

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

(b) Key management personnel compensation

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

	Note	2023 $M	2022 $M
Directors' fees		1.6	1.5
Senior management's salary and other short-term benefits		6.4	6.2
Senior management's share-based payments	23(b)	-	0.7
Senior management's termination benefits		0.3	0.6
Total remuneration		8.3	9.0

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:

	2023 Shares	2022 Shares
Shares held on behalf of employees		
Opening balance	255,730	343,300
Shares issued during the year	135,100	38,410
Shares reallocated to employees	-	29,300
Shares fully paid and allocated to employees	(84,210)	(102,300)
Shares forfeited during the year	(33,365)	(52,980)
Total shares held on behalf of employees	273,255	255,730
Unallocated shares held by the purchase plan	78,845	45,480
Total shares held by the purchase plan	352,100	301,210

On 9 November 2022, no shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 135,100 new shares were issued at a price of $6.0, being a 20% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 9 November 2022.

On 8 November 2021, 29,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 38,410 new shares were issued at nil consideration, up to a value of $1,500 per employee. No repayments are required in respect of this offer, but the shares remain subject to a three-year restrictive period. The offer was both as an acknowledgement of employees' hard work and also the critical role they will play as aviation recovers.

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

Under the 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 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2023

23. Share-based payment plans CONTINUED

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	Lapsed during the year	Balance at the end of the year
27 September 2019	30 September 2022	161,776	-	-	-	161,776	-
4 December 2020	1 October 2023	86,561	-	-	32,528	-	54,033
30 September 2021	30 September 2024	89,572	-	-	32,986	-	56,586
08 April 2022	30 September 2024	61,374	-	-	-	-	61,374
01 October 2022	30 September 2025	-	149,548	-	32,780	-	116,768
07 November 2022	30 September 2025	-	10,962	-	-	-	10,962
01 May 2023	30 September 2025	-	2,888	-	-	-	2,888
Total share rights		399,283	163,398	-	98,294	161,776	302,611

Fair value of share rights granted

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

Grant date	Vesting date	Grant price	Risk-free interest rate range	Expected volatility of share price	Estimated fair value per share right	Share price at exercise
24 September 2018	24 September 2021	$7.13	1.80 – 2.00%	18.2%	$3.08	$7.36
27 September 2019	30 September 2022	$9.25	0.79 – 0.81%	19.8%	$4.01	N/A
04 December 2020	01 October 2023	$7.03	0.04 – 0.18%	36.8%	$3.41	N/A
30 September 2021	30 September 2024	$7.26	1.00 – 1.55%	26.2%	$3.56	N/A
08 April 2022	30 September 2024	$7.33	1.00 – 1.55%	26.2%	$3.60	N/A
01 October 2022	30 September 2025	$7.64	1.18 – 4.18%	22.0%	$3.46	N/A
07 November 2022	30 September 2025	$7.54	1.18 – 4.18%	22.0%	$3.41	N/A
01 May 2023	30 September 2025	$8.74	1.18 – 4.18%	22.0%	$4.08	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 2023 is $0.5 million (2022: $0.1 million) with a corresponding increase in the share-based payments reserve (refer note 16(c)).

24. Events subsequent to balance date

On 17 August 2023, the directors of Queenstown Airport declared a final dividend of $9.6 million for the year ended 30 June 2023. The group's share of the dividend is $2.4 million.

On 23 August 2023, the directors of Auckland Airport declared a final dividend of $58.9 million for the year ended 30 June 2023.

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 2023, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 25 to 80, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Fair Value of Revalued Property, Plant and Equipment Land, buildings and services, runway, taxiways, aprons and infrastructure property, plant and equipment ('Revalued PPE') are recorded on the consolidated 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 2023 is $7,484.7 million. Land assets were revalued at 30 June 2023. A revaluation gain of $53.0 million is recognised in other comprehensive income (revaluation reserve), and a revaluation gain of $0.3 million is recognised in the income statement. Runway, taxiways and aprons were revalued at 30 June 2023. A revaluation gain of $63.8 million is recognised in other comprehensive income (revaluation reserve), and a revaluation loss of $6.2 million is recognised in the income statement. Infrastructure assets were revalued at 30 June 2023. A revaluation gain of $101.8 million is recognised in other comprehensive income (revaluation reserve), and a revaluation loss of $9.7 million is recognised in the income statement. Buildings and services assets were last revalued at 30 June 2022. The Group did not carry out revaluations in 2023 on these assets as it assessed there has been no material change in fair values. The Group's assessment considered movements in the relevant capital goods price indices and other relevant market indicators. Note 11 to the financial statements provides summary information about each class of Revalued PPE, including descriptions of the valuation methodologies used in the latest valuations. We consider the fair value of Revalued PPE to be a key audit matter due to the materiality of the carrying amounts to the financial statements and the judgement involved in determining their fair values.	In relation to the land, runway, taxiways and aprons, and infrastructure 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. Our procedures included: • Reading the valuation reports for all properties, considering whether the methodology applied was appropriate for the asset being valued; • 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; and • Reviewing the valuations for any limitations of scope 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
Investment properties of $2,882.1 million are recorded at fair value in the consolidated statement of financial position at 30 June 2023. A revaluation loss of $139.7 million is recognised in the consolidated income statement. Revaluations are carried out at least annually by independent registered valuers. Estimating the fair values requires judgement and the models used include both observable and non-observable inputs. Vacant land ($435.8 million) is valued using a direct sales comparison and residual value approach. Retail and service, industrial, and other investment properties ($2,446.3 million) are valued using discounted cash flow models. The significant inputs to the discounted cash flow models are market rental rates, rental growth rates and discount rates. Note 12 to the financial statements provides summary information about the investment properties held by the Group and quantitative information about the key inputs to the valuation models. Note 11 (c) describes the methodologies used and provides qualitative information about the sensitivity of the models to changes in the key inputs. We consider the valuation of investment properties to be a key audit matter due to the materiality of revaluation gains (losses) and carrying amounts to the financial statements and the judgement involved in determining their fair values.	Our audit procedures focused on the appropriateness of the valuation methodologies and key inputs applied in the models. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations, as well as the impact the current macroeconomic conditions are having on the general market. 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; and • Reviewing the valuations for any limitations of scope 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
23 August 2023

Five-year summary

FOR THE YEAR ENDED 30 JUNE 2023

Group income statement	2023 $M	2022 $M	2021[1] $M	2020 $M	2019 $M
Income					
Airfield income	86.6	60.9	64.0	100.6	127.6
Passenger services charge	132.9	33.8	24.2	133.0	185.1
Retail income	130.9	22.7	17.8	141.5	225.8
Rental income	170.6	129.7	115.2	109.2	107.8
Rates recoveries	12.7	8.6	7.8	7.7	6.7
Car park income	57.7	26.2	28.7	50.3	64.2
Interest income	3.2	0.3	4.9	1.7	1.8
Flood-related income	5.0	-	-	-	-
Other income	26.3	18.1	18.5	23.0	24.4
Total income	625.9	300.3	281.1	567.0	743.4
Expenses					
Staff	63.3	50.0	45.6	62.9	59.1
Asset management, maintenance and airport operations	89.8	66.7	53.4	77.5	81.1
Rates and insurance	31.8	21.0	20.8	18.0	16.1
Marketing and promotions	6.7	1.4	1.0	8.3	12.7
Professional services and levies	8.2	4.3	4.0	6.2	8.6
Fixed asset write-offs, impairment and termination costs	4.8	6.9	2.5	117.5	-
Reversal of fixed asset impairment and termination costs	(1.0)	-	(19.4)	-	-
Flood-related expense	8.4	-	-	-	-
Other expenses	19.2	6.1	6.3	6.1	11.0
Expected credit losses/(release)	(2.4)	(0.6)	(4.2)	(0.6)	-
Total expenses	228.8	155.8	110.0	306.6	188.6
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[2]	397.1	144.5	171.1	260.4	554.8
Investment property fair value change	(139.7)	204.4	527.3	168.6	254.0
Property, plant and equipment fair value change	(15.6)	(1.4)	(7.5)	(45.9)	(3.8)
Derivative fair value change	(0.7)	1.7	(0.5)	(1.9)	(0.6)
Share of profit/(loss) of associate and joint ventures	11.1	(12.8)	21.1	8.4	8.2
Impairment of investment in joint venture	-	-	-	(7.7)	-
Earnings before interest, taxation and depreciation (EBITDA)[2]	252.2	336.4	711.5	381.9	812.6
Depreciation	145.3	113.1	120.9	112.7	102.2
Earnings before interest and taxation (EBIT)[2]	106.9	223.3	590.6	269.2	710.4
Interest expense and other finance costs	62.7	53.7	94.0	71.8	78.5
Profit before taxation	44.2	169.6	496.6	197.4	631.9
Taxation expense/(benefit)	1.0	(22.0)	30.0	3.5	108.4
Profit after taxation attributable to the owners of the parent	43.2	191.6	466.6	193.9	523.5

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

Five-year summary CONTINUED

Group statement of comprehensive Income	2023 $M	2022 $M	2021[1] $M	2020 $M	2019 $M
Profit for the period	43.2	191.6	466.6	193.9	523.5
Other comprehensive income					
Items that will not be reclassified to the income statement					
Property, plant and equipment net revaluation movements	218.6	75.8	769.9	(599.8)	87.6
Tax on the property, plant and equipment revaluation reserve	(40.4)	(128.5)	-	(32.5)	(24.6)
Movement in share of reserves of associate and joint ventures	11.2	13.9	8.2	-	-
Items that will not be reclassified to the income statement	189.4	(38.8)	778.1	(632.3)	63.0
Items that may be reclassified subsequently to the income statement					
Cash flow hedges					
Fair value gains/(losses) recognised in the cash flow hedge reserve	19.1	85.5	57.7	(44.5)	(47.1)
Realised (gains)/losses transferred to the income statement	0.2	9.1	12.1	(2.2)	1.6
Tax effect of movements in the cash flow hedge reserve	(5.4)	(26.5)	(19.5)	13.1	13.3
Total cash flow hedge movement	13.9	68.1	50.3	(33.6)	(32.2)
Movement in cost of hedging reserve	-	(0.8)	3.9	2.7	(4.8)
Tax effect of movements in the cash flow hedge reserve	-	0.2	(1.1)	(0.8)	2.3
Items that may be reclassified subsequently to the income statement	13.9	67.5	53.1	(31.7)	(34.7)
Total other comprehensive income/(loss)	203.3	28.7	831.2	(664.0)	28.3
Total comprehensive income for the period, net of tax attributable to the owners of the parent	246.5	220.3	1,297.8	(470.1)	551.8

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

Group statement of changes in equity	2023 $M	2022 $M	2021[1] $M	2020 $M	2019 $M
At 1 July	8,150.9	7,929.5	6,630.7	6,032.9	5,682.1
Profit for the period	43.2	191.6	466.6	193.9	523.5
Other comprehensive income/(loss)	203.3	28.7	831.2	(664.0)	28.3
Total comprehensive income	246.5	220.3	1,297.8	(470.1)	551.8
Shares issued	0.6	1.0	0.6	1,210.4	64.0
Long-term incentive plan	0.5	0.1	0.4	0.2	0.1
Dividend paid	-	-	-	(136.3)	(265.1)
At 30 June	8,398.5	8,150.9	7,929.5	6,637.1	6,032.9

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

Group balance sheet	2023 $M	2022 $M	2021[1] $M	2020 $M	2019 $M
Non-current assets					
Property, plant and equipment					
Land	4,387.8	4,319.1	4,705.7	3,931.1	4,645.4
Buildings and services	1,829.8	1,553.3	1,079.9	1,140.7	1,056.7
Infrastructure	781.1	616.6	551.7	487.5	403.1
Runways, taxiways and aprons	486.0	398.5	389.1	378.3	346.5
Vehicles, plant and equipment	63.6	98.6	100.1	123.2	125.4
	7,548.3	6,986.1	6,826.5	6,060.8	6,577.1
Investment properties	2,882.1	2,897.4	2,641.4	2,897.4	1,745.4
Investment in associate and joint ventures	193.1	166.5	154.4	114.7	105.7
Derivative financial instruments	45.0	28.1	29.2	230.5	162.6
	10,668.5	10,078.1	9,651.5	9,303.4	8,590.8
Current assets					
Cash	106.2	24.7	79.5	765.3	37.3
Trade and other receivables	51.6	28.5	25.4	28.5	69.0
Taxation receivable	1.4	21.6	20.9	21.6	-
Derivative financial instruments	1.6	-	-	15.4	-
	160.8	74.8	125.8	830.8	106.3
Total assets	10,829.3	10,152.9	9,777.3	9,297.2	8,697.1
Shareholders' equity					
Issued and paid-up capital	1,680.8	1,680.2	1,679.2	1,678.6	468.2
Cancelled share reserve	(609.2)	(609.2)	(609.2)	(609.2)	(609.2)
Property, plant and equipment revaluation reserve	5,187.3	5,040.2	5,099.9	4,333.7	4,968.8
Share-based payments reserve	2.0	2.1	2.0	1.6	1.4
Cash flow hedge reserve	31.6	18.3	(50.4)	(100.7)	(67.1)
Cost of hedging reserve	(1.7)	(1.7)	(1.1)	(3.9)	(5.8)
Share of reserves of associate and joint ventures	62.1	50.9	37.0	28.8	28.8
Retained earnings	2,024.6	1,970.7	1,772.1	1,308.2	1,247.8
	8,377.5	8,151.5	7,929.5	6,637.1	6,032.9
Non-current liabilities					
Term borrowings	1,388.3	961.0	1,172.8	1,824.4	1,748.6
Derivative financial instruments	25.3	15.7	67.9	134.6	88.4
Deferred tax liability	438.5	411.9	278.3	231.7	265.3
Other term liabilities	3.5	3.3	2.8	2.1	1.9
	1,855.6	1,391.9	1,521.8	2,192.8	2,104.2
Current liabilities					
Accounts payable	159.9	87.1	103.4	106.3	102.4
Taxation payable	-	-	-	-	15.3
Derivative financial instruments	-	0.9	1.9	3.0	-
Short-term borrowings	428.8	515.6	220.0	320.8	441.8
Provisions	7.5	6.5	0.7	37.2	0.5
	596.2	610.1	326.0	467.3	560.0
Total equity and liabilities	10,829.3	10,153.5	9,777.3	9,297.2	8,697.1

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

Five-year summary CONTINUED

Group statement of cash flows	2023 $M	2022 $M	2021 $M	2020 $M	2019 $M
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	593.3	287.0	271.2	586.0	756.0
Interest received	3.2	0.3	4.9	1.6	2.0
	596.5	287.3	276.1	587.6	758.0
Cash was applied to:					
Payments to suppliers and employees	(213.5)	(134.6)	(116.5)	(242.5)	(203.6)
Income tax paid	-	-	(0.6)	(94.2)	(101.1)
Interest paid	(57.9)	(51.5)	(98.0)	(75.1)	(77.4)
	(271.4)	(186.1)	(215.1)	(411.8)	(382.1)
Net cash flow from operating activities	325.1	101.2	61.0	175.8	375.9
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment	-	0.4	0.4	0.1	-
Proceeds from sale of investment property	-	-	-	-	1.5
Dividends from associate and joint ventures	1.8	3.0	5.0	14.9	9.2
	1.8	3.4	5.4	15.0	10.7
Cash was applied to:					
Purchase of property, plant and equipment	(465.1)	(224.8)	(141.9)	(240.5)	(239.1)
Interest paid – capitalised	(19.4)	(8.0)	(6.5)	(11.8)	(7.0)
Expenditure on investment properties	(106.8)	(39.8)	(58.1)	(136.1)	(81.0)
Investments in associates and joint ventures	(6.1)	(14.0)	(15.4)	(23.2)	(2.3)
Costs relating to sale of investment of associate	-	-	-	-	-
	(597.4)	(286.6)	(221.9)	(411.6)	(329.4)
Net cash applied to investing activities	(595.6)	(283.2)	(216.5)	(396.6)	(318.7)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	-	-	-	1,178.1	-
Increase in borrowings	753.0	200.6	105.0	125.0	150.0
Settlement of cross-currency interest rate swaps	-	(1.4)	79.6	-	-
	753.0	199.2	184.6	1,303.1	150.0
Cash was applied to:					
Decrease in borrowings	(401.0)	(72.0)	(714.9)	(250.0)	(75.0)
Dividends paid	-	-	-	(104.3)	(201.6)
	(401.0)	(72.0)	(714.9)	(354.3)	(276.6)
Net cash flow applied to financing activities	352.0	127.2	(530.3)	948.8	(126.6)
Net increase/(decrease) in cash held	81.5	(54.8)	(685.8)	728.0	(69.4)
Opening cash brought forward	24.7	79.5	765.3	37.3	106.7
Ending cash carried forward	106.2	24.7	79.5	765.3	37.3

Capital expenditure	2023 $M	2022 $M	2021 $M	2020 $M	2019 $M
Aeronautical	325.1	125.6	48.1	205.0	106.0
Retail	0.3	0.4	0.1	14.0	19.0
Property development	133.3	54.8	72.6	146.6	87.8
Infrastructure and other	53.4	67.7	75.1	52.7	46.0
Car parking	135.0	11.5	1.2	14.7	25.3
Total	647.1	260.0	197.1	433.0	284.1

Passenger, aircraft and MCTOW (maximum certificated take-off weight)	2023	2022	2021	2020	2019
Passenger movements					
International	7,773,555	1,340,875	602,125	8,473,946	11,517,988
Domestic	8,087,709	4,261,271	5,841,514	7,047,108	9,593,625
Aircraft movements					
International	42,423	18,315	15,106	44,962	57,082
Domestic	101,998	67,748	83,583	94,175	121,689
MCTOW (tonnes)					
International	4,043,717	2,115,127	1,771,014	4,669,929	5,894,112
Domestic	2,028,201	1,343,150	1,637,867	1,830,711	2,372,412

Auckland Airport