Faster Higher Stronger 2013

Auckland Airport

Annual Report 2013
Auckland International Airport Limited

Faster
Higher
Stronger

For
our custo
our city
our count

Contents

Online Report

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

Welcome

Welcome to Auckland Airport's Annual Report for the financial year to 30 June 2013. We have had another 12 months of strong performance which has provided solid returns to our investors in spite of continuing challenges in the market place.

25.1%

PROFIT RESULT

Total profit after tax was up 25.1% to $177.967 million, while underlying profit after tax was up 10.6% to $153.781 million.

Total profit after tax was up 25.1% to $177.967 million, while underlying profit after tax was up 10.6% to $153.781 million. As a result of our financial performance, the total dividends paid to shareholders for the year increases by 14.3% to 12 cents per share, including a final dividend of 6.25 cents per share, imputed at the company tax rate of 28%.

In the past year, we have continued to show leadership in the development of new routes and promoted greater understanding of new travel markets. Whilst we have seen some reductions in certain routes, our investment and work with our airline partners has resulted in a number of international and domestic airlines announcing new capacity and additional flights. These successes have helped drive New Zealand's travel, trade and tourism ambitions and we are committed to playing our part in delivering on those aspirations for New Zealand.

The Commerce Commission has now reported to the Government and stated that our pricing provides an acceptable return on the significant investment we are making in essential long-term infrastructure. This outcome has been the culmination of a very long and involved process and shows that New Zealand's information disclosure regime for airports is working. We are pleased that we can now move forward with confidence in our future investment decisions.

With that eye to the future, the year has seen a successful transition to a new chief executive. Further, the strong and experienced leadership and governance provided by our Board will result in a successful transition in Board chairmanship later this year.

Auckland Airport is optimistic about the full 2014 financial year and expects underlying net profit after tax (excluding any fair value changes and other one-off items) to be between $160 million to $170 million. We note with some caution that there remains volatility in global economies and risk remains should this situation deteriorate. Therefore, as always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to global market conditions or other unforeseeable circumstances.

While our business has continued to grow in the financial year to 30 June 2013, our strategic plan is to grow faster, aim higher and become stronger over the next 12 months and, in doing so, maintain the strong momentum we have established over the past few years.

Joan Withers
Chair

Adrian Littlewood
Chief executive

Joan & Adrian

Strong performance has provided solid returns

Total shareholder return

26.6%

Dividends per share

¢12

Up 14.3%

Underlying profit

$153.781m

Up 10.6%

Results

Revenue

$448.458m

Up 5.1%

Operating EBITDAFI

$330.834m

Up 3.6%

Passenger movements

14.516m

Up 3.6%

at a glance 2013

Faster Higher Stronger

Our strategic plan is to grow faster, aim higher and become stronger over the next five years and, in doing so, maintain the strong momentum we have established.

Our 2009–2013 business strategy, Flight Path for Growth, has been a success. It fundamentally changed our business philosophy, improved our performance and developed our focus on 'Making Journeys Better' for all customers and partners of Auckland Airport. We are not, however, resting on these past successes and now look forward to the future and to playing our role in driving growth in the tourism industry and in New Zealand.

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

The four themes in Faster, Higher, Stronger are:

Grow travel markets

Strengthen our consumer business

Be fast, efficient and effective

Invest for future growth

Grow travel markets

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

Strengthen our consumer business

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

Be fast, efficient and effective

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

Invest for future growth

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

Our aspirations

Our new strategy embraces the objective of Making Journeys Better and is a passionate commitment to be better at everything we do. Faster, Higher, Stronger sets a number of new aspirations that will drive our company's performance:

- Double Chinese arrivals to 400,000 by FY17, up from 213,781 this year.
- Achieve 10 million international passengers by FY18, up from 7.317 million this year.
- Reach 20 million total passengers by FY20, up from 14.516 million this year.

These aspirations are not market guidance; rather, they provide the company with a sharp focus on important goals that underpin our long-term success.

By successfully implementing Faster, Higher, Stronger, we can meet our high expectations for continued growth and, at the same time, deliver on our vision to be a great New Zealand business that is a world leader in creating value from modern airports.

10m

Achieve 10 million international passengers by FY18, up from 7.317 million this year.

20m

Reach 20 million total passengers by FY20, up from 14.516 million this year.

The strategy in action

We have already started putting our Faster, Higher, Stronger strategy into action, delivering some great outcomes for our investors, Auckland and New Zealand.

Growing travel markets

International passengers (excluding transits) increased by 1.7% last year, off the strong base provided by the Rugby World Cup in 2011. In fact the growth driven by the Rugby World Cup in 2011 meant that passenger numbers were flat in the first half of the 2013 financial year but bounced back to 3.3% growth in the second half.

Although it was disappointing that Aerolineas Argentinas ceased flying to Auckland, that Qantas terminated its Los Angeles route and that Korean Airlines and Cathay Pacific have reduced capacity during the year, we have seen several other airlines announce new routes and additional capacity into Auckland:

- In July 2012, Air New Zealand began flights between the Sunshine Coast and Auckland.
- China Airlines announced in August 2012 that it would add four additional flights per week between Taipei and Auckland, via Sydney.
- Air New Zealand announced in October 2012 that it would operate direct seasonal services to Bali and that it would add 5,000 return seats a month to San Francisco, Vancouver and Los Angeles.
- Strong demand saw Hawaiian Airlines announce in February 2013 that it would increase its flights from three to four per week during the September-October peak period.
- Emirates announced in June 2013 that it would be adding a third A380 to Auckland on its daily Auckland-Brisbane-Dubai route, making Auckland the first airport outside of Dubai to accommodate three A380 aircraft on the ground at one time.
- In July 2013, China Southern Airlines announced that it would fly the new Boeing 787 Dreamliner on its daily services between Guangzhou and Auckland, and increase its weekly flights from seven to ten during the peak summer period.

Very importantly, this year also saw strong domestic growth with capacity expansion by both Air New Zealand and Jetstar. Total domestic passenger volumes at Auckland were up 8.4%.

Queenstown Airport experienced strong passenger growth again this year with domestic passengers increasing by 23.8% and international passengers increasing by 12.4%. North Queensland Airports also saw domestic passenger growth this year, with an increase of 4.5%. International passenger growth (excluding transits) was relatively flat with an increase of 2.4%. Increased services to China, Japan and Papua New Guinea were offset by decreased capacity to New Zealand and Singapore.

We have also been building consumer partnerships in high-opportunity Asian markets this year by working with the travel trade, airlines and government agencies to lift New Zealand's performance in these

EMIRATES

A third A380 will be added to Auckland on its daily Auckland-Brisbane-Dubai route.

A380x3

SINA WEIBO

This partnership gives the New Zealand tourism businesses featured in our new digital programmes potential exposure to a Chinese audience of more than 540 million people.

growth markets. The potential of these markets has been further reinforced in 2013 with the Chinese market continuing its exceptional performance with arrivals from China growing by 26.5%.

An example of our innovative trade partnerships includes our relationship with Chinese social media giant Sina Weibo. This partnership gives the New Zealand tourism businesses featured in our new digital programmes potential exposure to an audience of more than 540 million people. We have also developed the Chinese and Indonesian web assets, www.xindaohualv.com, www.xinxilanlvcheng.com and www.luxurynz.co.id, to further promote New Zealand in these growing markets.

Critical to success in these new and emerging travel markets is the need to increase New Zealand's awareness of each market's potential. To help lift that awareness, we organised an Asia Summit in April to provide insights into how to attract and engage with future Asian travellers. Speakers at the summit included executives from China Southern Airlines, China Airlines and Malaysian Airlines, as well as representatives from major Asian travel companies and organisations such as Sina Weibo and China UnionPay, the bankcard association of China which has over 3.1 billion credit and debit cards issued worldwide.

In its 2013 Budget, the Government announced a $158-million funding increase for tourism over four years to promote business innovation and growth initiatives within the tourism sector and to ensure New Zealand can respond to new market opportunities. Auckland Airport had advocated for further investment and congratulates the Government on its commitment to growing New Zealand tourism.

This year, we have continued to support the Government's ongoing focus on air services policy and visa facilitation. The Government is squarely focused on clearing away barriers to tourism growth and these decisions will enable the industry to more effectively play its role.

Also, we have been working closely with the Tourism Industry Association to develop a new national tourism framework. The framework will articulate how the tourism industry can maximise its potential to deliver long-term growth for New Zealand. Such a framework is particularly important in an industry such as tourism where most participants do not have the scale to be able to undertake such strategic planning. This year we have also continued our Ambition 2020 initiatives to develop our global tourism markets.

We are also focused on helping our airline customers by building the New Zealand outbound travel market. During the year, we created TripGuide as an online and television platform to deliver promotions here at home. TripGuide has been well received by the market and is making a valuable contribution to our industry partners.

> "We have been working closely with the Tourism Industry Association to develop a new national tourism framework. The framework will articulate how the tourism industry can maximise its potential to deliver long-term growth for New Zealand."

26.5%

The Chinese market continued its exceptional performance with arrivals from China growing by 26.5%.

WEBSITE VISITS

A 249% increase in visits using mobile tablets and a 92% increase in visits using mobile phones.

30 mins

FREE WIFI

WiFi hotspots at both our terminals and 30 minutes free access for each customer.

Commerce Commission report

The Commerce Commission's final report on the effectiveness of information disclosure regulation at Auckland Airport confirmed that our international and domestic charges represent a fair deal for both airlines and the travelling public and provide an acceptable return on the significant investment we are making in essential long-term infrastructure. The Commission also confirmed that we are innovative and focused on delivering the quality of service consumers demand. The report demonstrated that New Zealand's information disclosure regime is working effectively and that Auckland Airport operates transparently and constructively.

The Commission's report is the culmination of a very long and detailed process. We have participated fully and openly in the Commission's process and have made a number of constructive changes to our historical approach to price setting during the short time the information disclosure regime has been in place. We are delighted that the Commission was able to recognise the positive steps we have taken and the contribution we make to the industry. The decision provides us with the certainty of a fair return required for the long-term investment decisions we must make so that Auckland Airport can continue to play its role as the gateway to New Zealand.

Operational collaboration

Improving the way we work with border agencies, airlines and other service providers is delivering ongoing operational benefits for the airport. We have established a new collaborative operations group to identify improvement opportunities by sharing operational data for joint analysis and planning with an emphasis on improving real-time communication across the entire airport operation.

Similarly, our investment in a new airport operating system platform will greatly improve our ability to collaborate and inform business decisions once it is introduced in mid-2014. Enhanced information sharing and collaboration ultimately serve to improve the passenger experience and drive greater efficiency and productivity for all companies and agencies operating at the airport.

Online technology and enhancing retail

In the past year, we have also focused on harnessing the potential of online and digital technologies. Our new website makes it easier for people to find what they are looking for and showcases the breadth of services, shopping and amenities available at the airport; it received just over four million visits this financial year, a 15% increase on the previous 12 months, and unique visits were up 11% to just under two million. We also observed significant growth in the use of mobile devices, with a 92% increase in the number of website visits using mobile phones and a 249% increase in visits using mobile tablets. In response to these indicators, this year we developed both an iPhone application and a social media presence on Twitter to better help passengers travel through the airport.

Enhancements to our online car-parking booking system provide customers with greater choice about where they park and how much they pay while, at the same time, enabling us to optimise capacity. There were more than 150,000 online car-parking bookings this year, and over 60% of leisure car-parking bookings were made online.

ONLINE

Our new website makes it easier for people to find what they are looking for and showcases the breadth of services, shopping and amenities available at the airport.

CAR-PARKING
There were more than 150,000 online car-parking bookings this year, and over 60% of leisure car-parking bookings were made online.

We also introduced WiFi hotspots at both our terminals and offer 30 minutes free access for each customer. This service is now an expectation of most international travellers and one on which we were happy to deliver.

Our in-terminal retail proposition has been focused on responding to consumer demand and the changing mix of passengers. To this end, we have worked with our retail partners to create store-in-store initiatives to help them grow their engagement with customers. We have also pursued dynamic retailing programmes by utilising kiosks in the terminals to trial new products quickly and efficiently.

Our introduction this year of Mandarin-speaking retail ambassadors has improved the shopping experience for our fastest-growing passenger market. This supplements the multilingual skills of our operational staff members and those of our airline partners.

Property transformation and development

We have continued to transform the airport precinct this year, as well as developing new commercial business premises and attracting high-profile companies.

Earlier this year, work commenced on a new gateway landscape feature which will visually signal to people that they have arrived at the airport. Excellent progress was made on public amenities such as the Footy Field, the Esplanade, the Runway Mountain Bike Track and the Outdoor Gallery. These projects will enhance the airport's reputation as a great place to visit and will ensure that working at the airport appeals to a wide range of Aucklanders.

The Quad 5 office building was completed this year and is now home to approximately 100 Auckland Airport corporate employees who were previously in the international terminal building. Our innovative Flex warehouse and office facility was also completed, comprising 10 small-to-medium-sized units. Leasing of this facility has been successful with all of the units let.

This financial year, we attracted some new high-profile clients to the airport. In June 2013, the Panalpina Group, one of the world's leading providers of supply-chain solutions, announced that it would relocate its local business operations to the airport. The local subsidiary of the world's leading chemical company, BASF, announced its relocation to our Quad 5 office building, and the global industrial manufacturer, Illinois Tool Works Inc., also announced its relocation to Auckland Airport during the year.

"The Quad 5 office building was completed this year and is now home to approximately 100 Auckland Airport corporate employees who were previously in the international terminal building. Our innovative Flex warehouse and office facility was also completed, comprising 10 small-to-medium-sized units."

$120K

SUPPORT

For the fifth year running, we donated $120,000 in the 12 days leading up to Christmas, with 12 worthy charities each receiving $10,000 donated by the travelling public.

Sustainability and social responsibility

During this financial year, we developed a new sustainability action plan which identifies business targets out to 2020. These targets include reducing energy use, water use and waste to landfill by 20% on a per-passenger basis by 2020. Plans and programmes to meet these challenging targets are now well developed.

> "We are very conscious of our place in Auckland and are committed to assisting Auckland Council in its Southern Initiative. As a major centre of employment in South Auckland, we are focused on recruiting local people into local jobs."

We are very conscious of our place in Auckland and are committed to assisting Auckland Council in its Southern Initiative. As a major centre of employment in South Auckland, we are focused on recruiting local people into local jobs. This year, we established an internship programme with the Manukau Institute of Technology to achieve just that. Ten students were placed in summer jobs at businesses based at Auckland Airport, with half of them subsequently placed in permanent employment.

We also support our local communities through a range of other initiatives. Our Gold Medal Awards are now in their fourth year and offer up to $30,000 for sports clubs, schools and marae within the greater Auckland region to support sport and fitness and encourage healthy young Aucklanders. For the fifth year running, we donated $120,000 in the 12 days leading up to Christmas, with 12 worthy charities each receiving $10,000 donated by the travelling public.

69%

The installation of LED lights with intelligent controls into the check-in area of the international terminal has provided annual savings of $81,000 or 501,000 kilowatt hours. The project achieved an overall reduction in lighting costs of 69%.

6%

Optimising plant and equipment in Pier B achieved a 6% saving in energy in just two months. This is expected to be worth $55,000 per annum.

Bond programme

The company's regular use of public debt markets continued during the year with a very successful issue of $100 million of seven-year bonds in December. ANZ Bank was the lead manager and Forsyth Barr was the co-manager in the offer which was issued with a fixed coupon of 4.73%. The proceeds of the issue have been used to refinance a maturing bank facility.

International recognition

For the fifth year in a row, Auckland Airport was awarded the title of best airport in the Australia-Pacific region at the 2013 annual SKYTRAX World Airport Awards. It was just one of several successes for Auckland Airport at the awards, which included taking out the award for best staff service in the Australia-Pacific region and being rated as the second-best airport in the world with 10 to 20 million passengers a year and 12th best overall. We are incredibly proud to be recognised on the world stage again this year, and these awards reflect our commitment to making journeys better for all customers of Auckland Airport.

$

130K

Our energy-efficiency projects achieve annual savings of more than $130,000 and attract a similar amount of funding from the Government's Energy Efficiency and Conservation Authority (EECA).

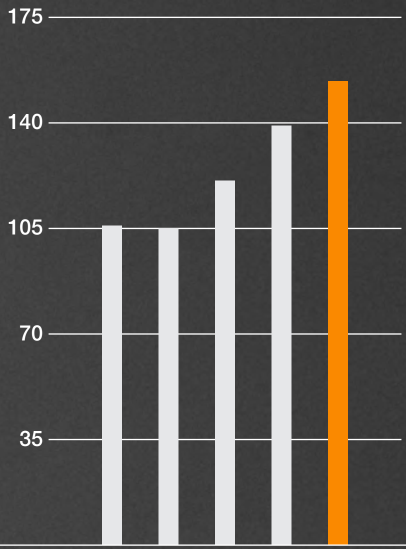
Best airport in Australia-Pacific for the fifth year in a row

5x

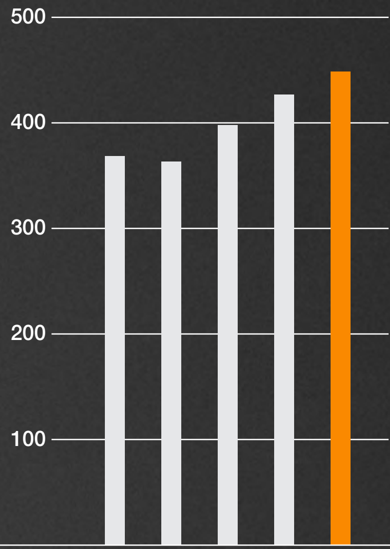
18%

Waste minimisation trials have seen food-court waste being composted for the first time at Auckland Airport and have established a baseline recycling rate of 18%.

Underlying profit
$153.781 million
up 10.6%



Revenue
$448.458 million
up 5.1%



Results

As noted earlier, our total profit after tax for this financial year was up 25.1% to $177.967 million, while underlying profit after tax was up 10.6% to $153.781 million.

We continue to report underlying profit because we believe it helps investors to understand what is happening in our business, where revaluation changes or one-off transactions can make the comparison of profits between years difficult. Underlying profit also provides a basis for our determination of the dividend payment and compliance with debt covenants.

Revenue grew 5.1% to $448.458 million this financial year. Key revenue highlights include aeronautical revenue (airfield income, passenger service charges and aeronautical rental income) increasing 3.7%, in line with total passenger growth. The standout non-aeronautical revenue contributions came from property rental income ($41.099 million, up 12.5% from 2012) and car-park revenue ($40.370 million, up 10.2% from 2012).

5.1%

Increase in revenue to $448.458 million

12.5%

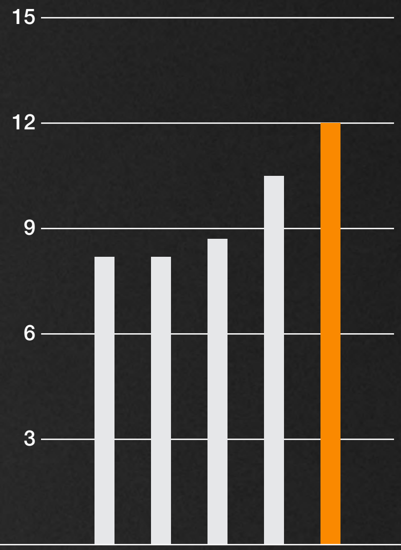
Increase in property rental income to $41.099 million

$9.921m

Total share of profit from associates

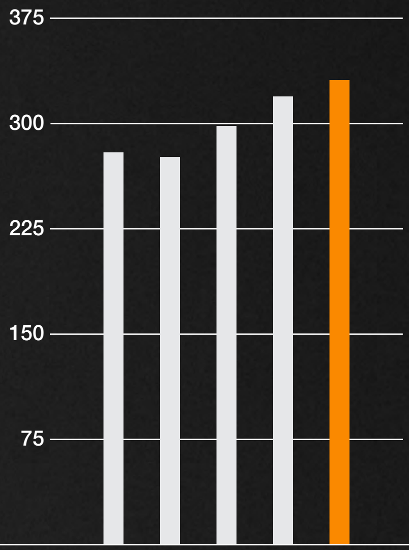
Dividends

12 cents per share
up 14.3%



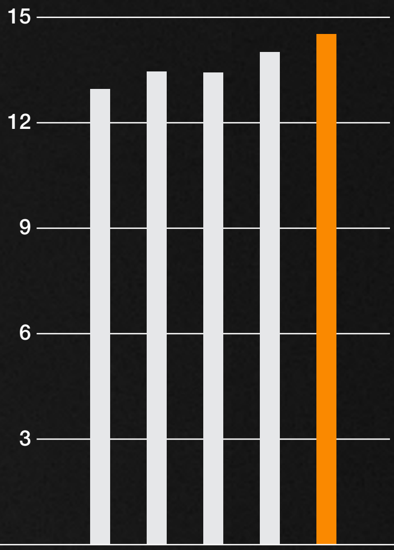
Operating EBITDAFI

$330.834 million
up 3.6%



Passenger movements

14.516 million
up 3.6%



Expenses increased 9.4% to $117.624 million, resulting in earnings before interest expense, taxation, fair value adjustments and investments in associates (EBITDAFI) growth of 3.6% in the period to $330.834 million. Key expenses contributing to this higher growth include 16.4% growth in staff costs primarily due to the significant increase in the accrual of long-term incentive provisions. This demonstrates strong alignment of staff incentives to the very strong company and share price performance over several financial years. New route development and continued marketing initiatives to drive passenger growth also contributed to 15.8% growth in marketing and promotional expenses in the year to 30 June 2013.

International passengers (excluding transits) grew 1.7% in the 12 months to June 2013 compared to the prior year. Following growth of 26.5% in the year, China has now surpassed the United Kingdom to be Auckland's second-largest source of international passengers after Australia. Outstanding growth was also achieved in the domestic market with passenger growth to June 2013 of 8.4%.

Total share of profit from associates totalled $9.921 million, comprising North Queensland Airports' $6.996 million, Queenstown Airport's $1.319 million and Novotel Hotel's $1.606 million.

The final dividend for the year ending 30 June 2013 is 6.25 cents per share (prior year: 6.10 cents per share), resulting in a full-year dividend for the year ending 30 June 2013 increasing by 14.3% to 12 cents per share (prior year: 10.50 cents per share). The final dividend, imputed at the company tax rate of 28%, will be paid on 17 October 2013 to shareholders who are on the register at the close of business on 3 October 2013.

> "Following growth of 26.5% in the year, China has now surpassed the United Kingdom to be Auckland's second-largest source of international passengers after Australia."

Future focus

Domestic terminal and masterplan

Over the last year, we have been working on how we expand our domestic terminal operations to accommodate the increasing number of larger domestic aircraft flown by Air New Zealand and Jetstar and the growth in domestic travel demand. We are already well under way with work to upgrade the existing terminal to provide passengers with improved gate access, baggage collection and facilities, as well as faster security screening, a new regional lounge and two new airbridges.

In the course of the planning process, it became very clear that the domestic terminal could not be considered in isolation but rather had to be viewed in the context of the whole airport system. We conducted a complete review of our airport masterplan with assistance from international expert airport planners SOM and ARUP, who have previously worked together on major international airport projects such as Hong Kong's Terminal 2 and SkyPlaza, and Toronto's Pearson Terminal 1.

The masterplan is now nearing a stage of completion which will enable us to engage more deeply with our key airport stakeholders on our future development plans. This will ensure we have the best inputs available to enable us to take the right steps in the development of the airport and, most immediately, in relation to the domestic terminal.

We consider that it is crucial to form a strong development plan and are therefore investing the appropriate time and resources to achieve that outcome. We plan to announce our new masterplan in the current financial year.

Guide to earnings

The Board is optimistic about the full 2014 financial year and expects underlying net profit after tax (excluding any fair value changes and other one-off items) to be between $160 million to $170 million. We note with some caution that there remains volatility in global economies and risk remains should this situation deteriorate. Therefore, as always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.

Governance

Safety and operational risk

The Board has reviewed its approach to risk management during the year. Whilst the Board is proud of Auckland Airport's safety culture and the way in which it manages operational risk, it believes that safety is an area where continuous improvement should always be targeted. In this spirit, the Board has decided to create a new committee, the safety and operational risk committee, with the sole focus of governing the management of safety and operational risk at Auckland Airport. It takes this role over from the former audit and risk committee which will now focus on audit and financial risk.

During the year, the Board continued the company's focus on ensuring it has the capacity to respond in emergency situations, including through the approval of an upgrade to the airport's marine response fleet and fire engines. The company has also run crisis incident response scenarios with key airport stakeholders through the year in order to hone our ability to work together in any emergency response.

Chief executive transition

This financial year has seen the successful transition to our new chief executive, Adrian Littlewood. The Board was delighted to have appointed Adrian, an internal candidate, to the position after an extensive local and international search programme which attracted a significant number of high-calibre applicants. Adrian was the company's general manager of retail and commercial, and led the growth and development of the company's key non-aeronautical revenue lines.

In his first year, Adrian has restructured the general management of the company to better reflect the demands we face as an organisation both now and in the future. Also, he has led the development of our new five-year business strategy, Faster, Higher, Stronger, and refocused the business on the challenges and the opportunities it faces in today's competitive market. Key amongst these challenges and opportunities is the development of the company's masterplan for Auckland Airport. Adrian has also played a leading role in the development of the new national framework to maximise the tourism industry's potential to deliver for New Zealand in the long term.

Incoming chair

In October, Sir Henry van der Heyden will replace Joan Withers as chair of the Board, when she retires following the Annual Meeting. Sir Henry's appointment was announced in May 2013 to ensure there was a smooth governance transition. He has had a very successful career and is committed to driving tourist arrivals and to building this important gateway to the country. Sir Henry is excited by the challenge of his new role as success brings benefits not only to the airport, but also to the country's national and regional economies.

Sir Henry van der Heyden
Incoming chair

Joan Withers

CHAIR 2010–2013 AND BOARD MEMBER 1997–2013

In October 2013, Joan Withers will step down from our Board. Joan joined the company just before it was floated in 1998 and has served 16 years as a director, with the last three years as chair.

Joan is passionate about the airport having grown up locally and watched it grow from its first days as a grass strip in the 1960s. She has been a deeply committed, dedicated and hard-working Board member, determined to ensure the airport plays a long-lasting role in the prosperity of Auckland and New Zealand.

She has ably led the team of directors and represented the airport. During her time as chair, Auckland Airport has delivered very strong returns to shareholders. In the past three years she has delivered total shareholder returns of 56.3% and strong passenger growth of 10.3% to 14.5 million.

Joan has been central to the transformation of the airport from an infrastructure company to one that takes an active role in driving travel, trade and tourism growth and benefits for Auckland and New Zealand. Joan leaves the Board having successfully managed the transition to a new chief executive, the adoption of a new five-year growth strategy and the development of a 30-year vision for the airport.

56.3%

Total shareholder returns of 56.3% during Joan's time as chair.

Joan has made an outstanding contribution to Auckland Airport over many years. Her legacy is a successful company that is well prepared for the challenges and opportunities ahead. We thank Joan for her dedication and hard work and wish her all the best for the future.

Adrian Littlewood
Chief executive

Future Director

Sheridan Broadbent is Auckland Airport's – and New Zealand's – inaugural Future Director.

The scheme was the brainchild of Sir Stephen Tindall, Michael Stiassny and Des Hunt; however, Auckland Airport's Board immediately saw an opportunity to assist in the quest to improve the quantum, quality and diversity of 'board ready' candidates by appointing Sheridan as a Future Director.

In her role as a Future Director, Sheridan has been able to actively participate in all Board and committee meetings, but does not take part in the actual decision-making. She has contributed fresh thinking around the board table and her significant executive experience as General Manager Strategy and Business Technology at Genesis Energy and in her previous roles at Downer EDI Limited and Telecom New Zealand Limited, means her input has been very valuable for the company.

The Future Directors scheme operates within a well-defined set of protocols at Auckland Airport. One of our policies is that the term is for one year and the Future Director will not be offered a seat on Auckland Airport's Board at the end of the period.

Sheridan leaves us at the end of 2013 with glowing references on her ability to take on a senior governance role.

We will be looking for a new Future Director for the 2014 calendar year.

LEFT FROM TOP

Joan Withers | CHAIR

Sir Henry van der Heyden | DIRECTOR

Brett Godfrey | DIRECTOR

James Miller | DIRECTOR

RIGHT FROM TOP

Keith Turner | DEPUTY CHAIR

Richard Didsbury | DIRECTOR

Justine Smyth | DIRECTOR

John Brabazon | DIRECTOR

The Board








Board Profiles

Joan Withers Chair

MBA, AFInstD

Joan Withers was appointed a director of the company in 1997 and became chair on 28 October 2010.

She has spent over 25 years working in the media industry holding chief executive officer positions in both newspaper and radio, and has been a professional director for 16 years.

In July 2005, Joan became chief executive officer of Fairfax New Zealand Limited, New Zealand's largest media company, a role from which she retired in 2009.

Joan is currently chair of Mighty River Power Limited, deputy chair of Television New Zealand Limited and a director of ANZ Bank New Zealand Limited. She is also a member of the Treasury Advisory Board and a trustee of the Tindall Foundation and the Louise Perkins Foundation.

Keith Turner Deputy Chair

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

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

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

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

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

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

Keith is also chair of Fisher & Paykel Appliances Limited and Solar City Limited and a director of Chorus Limited and Spark Infrastructure Limited.

John Brabazon

BCom, ACA, AFInstD, F FIN

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

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

John is also a governing member of Round Mountain Oil, LLC in the USA.

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

Richard Didsbury

BE

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

He graduated in engineering from The University of Auckland.

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

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

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

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

Brett Godfrey

BCom, ACA

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

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

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

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

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

Sir Henry van der Heyden

KNZM, BE (Hons)

Sir Henry van der Heyden was appointed a director of the company in 2009 and is chair-elect. His goal is to lead and support the growth of strong, internationally competitive and sustainable businesses which contribute to New Zealand's economy and the well-being of its people.

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

Sir Henry graduated from Lincoln University with a Bachelor of Engineering with Honours and served in dairy industry governance roles for 23 years. He is a past chairman of the New Zealand Dairy Group and was the chairman of Fonterra from 2002 to 2012.

Sir Henry was awarded Chairman of the Year in 2012, New Zealand Herald Business Person of the Year in 2007 and Federated Farmers' 2013 Agri Personality. In 2009, Sir Henry was appointed a Distinguished Companion of the New Zealand Order of Merit.

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

James Miller

BCom, FCA, AMInstD

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

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

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

Justine Smyth

BCom, CA

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

Justine is currently a director of Telecom New Zealand Limited, a member of the Financial Markets Authority and chair of The New Zealand Breast Cancer Foundation.

Justine was previously deputy chair of New Zealand Post Limited and chair of its finance, audit, investment and risk committee.

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

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

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

Leadership Team


Adrian Littlewood


Simon Robertson


Peter Alexander


Paul Divers


Judy Nicholl


Charles Spillane


Glenn Wedlock

Adrian Littlewood BA, LLB
Chief Executive

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

Prior to his appointment as chief executive in November 2012, Adrian was our general manager of retail and commercial, where he led strong growth and development of non-aeronautical revenue.

Adrian joined the airport in 2009 and has a background in law, strategy, marketing and management. He previously worked for Telecom New Zealand Limited.

Simon Robertson BCom, CA
Chief Financial Officer

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

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

Peter Alexander BProp
General Manager Property

Peter is responsible for the transformation of the Auckland Airport Business District from a transport hub to a vibrant business destination. He looks after our property team, driving new property development projects and managing completed property investment assets.

Peter joined us in 2008 and has over 20 years' experience in investment management including property investment and development in both New Zealand and overseas.

Paul Divers BA (Hons)
Acting General Manager
Retail and Commercial

Paul is responsible for the commercial environment and provision of products, services and choices for the millions of passengers who travel through Auckland Airport. He is responsible for all of our car-parking and retail businesses, including duty free, specialty retail, and food and beverage. He is also responsible for passenger experience, brand and marketing activities.

Paul joined us in 2005 and has previously worked in a number of marketing, product management and client service delivery roles for Vodafone. He was appointed acting general manager of retail and commercial following the appointment of Adrian Littlewood as chief executive.

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

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

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

Charles Spillane BA, LLB (Hons)
General Counsel and General Manager
Corporate Affairs

Our senior legal adviser and corporate secretary, Charles leads the development and sustainability of positive, constructive and influential relations with the significant numbers of key stakeholders who engage with Auckland Airport. He is responsible for corporate communications, public affairs, governance, government relations, share registry, risk management and insurance.

Prior to Charles joining us in 2002, he practised law at Russell McVeagh. He is a Fellow of the Institute of Chartered Secretaries.

Glenn Wedlock BBS, MInstD
General Manager
Aeronautical Commercial

Glenn is responsible for the sustainable growth of the vital air services and markets that fuel New Zealand tourism and trade. He works on developing and growing new and existing commercial relationships with airline, trade and tourism customers, covering both passenger and freight activities.

Glenn joined us in 2009. Prior to that, he was chief executive officer of Southern Hemisphere Proving Grounds Limited and Mitre Peak Cruises Limited. He has previously worked in senior management roles with Infratil Airports Europe Limited, Christchurch International Airport Limited, NZSki.com Limited and Mount Cook Group Limited.

Financials

Financial Report 2013

Introduction

Auckland Airport is pleased with the financial outcomes of the 2013 financial year, the third consecutive year of double digit underlying profit growth. By achieving a strong lift in underlying profit we have been able to increase dividends 14.3% for the 2013 financial year to 12 cents per share. Shareholders have also been rewarded with a substantial increase in the share price from $2.44 as at 30 June 2012 to $2.97 as at 30 June 2013.

Several years ago the leadership team of Auckland Airport committed to growing earnings above $150 million by the 2013 financial year. At the time the commitment was a significant and challenging aspiration following several years of flat profit performance with the 2010 financial year delivering $105.051 million underlying profit. In the three years since 2010 we have managed to lift underlying profit 46.4% by setting ambitious targets, adopting an innovative approach to growth combined with strong strategy execution. In the past year we have maintained momentum with a 10.6% rise in underlying profit to $153.781 million.

The 2013 financial year was a year in which we faced several challenges to matching prior year profit growth. It followed on from the successful 2011 Rugby World Cup, meaning delivering continued passenger growth in 2013 was going to be harder to achieve. Before the financial year even started we had lost services with Qantas withdrawing from the Auckland to Los Angeles route and Aerolineas Argentinas withdrawing from the Buenos Aires to Auckland/Sydney route. In addition, changes in Australian legislation on duty free tobacco impacted our duty free departure sales on Australian-bound flights. Finally, the transition to a new chief executive increased the risk of slowing our continued growth. Despite these challenges we have been able to maintain our momentum and surpass our aspirational underlying profit target of $150 million.

Our new business strategy, 'Faster, Higher, Stronger', provides Auckland Airport with a path to continue the success of the past few years. We know business success is hard won and requires us to continuously lift our game to achieve better outcomes for our customers, stakeholders and New Zealand's travel, trade and tourism sectors. Our future growth will require us to invest to expand travel markets and ensure we build on this travel growth with a strong consumer business that offers a great range of desirable products and services. At the same time we will also need to manage our future cash outgoings through higher asset productivity and careful cost management.

This financial report for the 2013 financial year provides an analysis of our financial results and key trends. It covers the following areas:

- 2013 Financial Performance Summary
- Key Financial Performance Measures
- 2013 Passenger Volume Analysis
- 2013 Aircraft Volume Analysis
- 2013 Financial Performance Analysis
- 2013 Financial Position Analysis
- 2013 Returns for Shareholders

2013 Financial Performance Summary

This 2013 financial report provides an overview of the financial results and key trends for the year ended 30 June 2013 compared with those for the previous financial year. Readers should refer to the accompanying notes and accounting policies as set out in the financial statements for a full understanding of the basis on which the financial results are determined.

Our reported profit after taxation for the 2013 financial year is $177.967 million, an increase of 25.1% on the prior year's reported profit of $142.284 million. Excluding fair value changes our underlying profit after taxation for the 2013 financial year of $153.781 million is a significant increase of 10.6% on the prior year's underlying profit of $139.025 million.

14.3%

2013 Dividends up 14.3% to 12.0 cents per share

46.4%

2013 In the three years since 2010 we have managed to lift underlying profit 46.4%

Key financial results are shown below.

	2013 $m	2012 $m	% change
Income	448.458	426.813	5.1
Expenses	117.624	107.524	9.4
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**330.834**	**319.289**	**3.6**
Reported profit after tax	177.967	142.284	25.1
Underlying profit after tax	**153.781**	**139.025**	**10.6**
Earnings per share (cents)	13.46	10.76	25.1
Underlying earnings per share (cents)	11.63	10.51	10.6
Ordinary dividends for the full year			
– cents per share	12.00	10.50	14.3
– amount	158.730	138.881	14.3

Revenue grew 5.1% to $448.458 million. Key revenue highlights include aeronautical revenue (airfield income, passenger service charges and aeronautical rental income) increasing 3.7% in line with total passenger growth of 3.6%. The standout non-aeronautical revenue contributions came from property rental income ($41.099 million, up 12.5% from 2012) and car park revenue ($40.370 million, up 10.2% from 2012).

Expenses increased 9.4% to $117.624 million, resulting in EBITDAFI growth of 3.6% in the period to $330.834 million. Key expenses contributing to this higher growth include a 16.4% increase in staff costs primarily due to the significant increase in the accrual of long-term incentive provisions. This demonstrates strong alignment of staff incentives to the very strong company and share price performance over several financial years. Route development and continued marketing initiatives to drive passenger volumes also contributed to 15.8% growth in marketing and promotional expenses in the year to 30 June 2013.

10.6%

2013 Underlying profit was $153.781 million, an increase of 10.6%.

Underlying profit is how we measure our success

Auckland Airport's Board and management continue to measure our financial performance based on underlying profits as well as on reported results. The consideration of underlying profit occurs when we report our results, when we give market guidance (where we exclude fair value changes and other one-off items) and when we determine dividends. However, in doing so we also acknowledge our obligation to show readers of our reports how we have derived our underlying result.

Adjusting for non-cash fair value changes, underlying profit for the 2013 financial year was $153.781 million, an increase of 10.6% from the 2012 financial year ($139.025 million). Earnings per share on underlying profit is 11.63 cents per share in 2013, compared with 10.51 cents per share in 2012.

The table below shows how we reconcile between reported profit after tax and underlying profit after tax for both the 2013 and 2012 financial years:

	2013			2012		
GROUP	Reported earnings $000	Adjustment $000	Underlying earnings $000	Reported earnings $000	Adjustment $000	Underlying earnings $000
EBITDAFI per Income Statement	330,834	-	330,834	319,289	-	319,289
Investment property fair value increases	23,091	(23,091)	-	1,350	(1,350)	-
Derivative fair value increases/(decreases)	1,473	(1,473)	-	(2,148)	2,148	-
Share of profit of associates	9,921	(1,899)	8,022	9,240	(3,075)	6,165
Depreciation	(62,053)	-	(62,053)	(64,483)	-	(64,483)
Interest expense and other finance costs	(66,689)	-	(66,689)	(68,958)	-	(68,958)
Other taxation expense	(58,610)	2,276	(56,334)	(52,006)	(982)	(52,988)
Profit after tax	**177,967**	**(24,186)**	**153,781**	**142,284**	**(3,259)**	**139,025**

We have made the following adjustments to show underlying profit after tax in the 2013 and 2012 financial years:

- We have reversed out the impact of revaluations of investment property in 2013 and 2012. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring success. Changes between years can be volatile and will consequently impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy.
- The group recognises gains/(losses) in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted. These gains/(losses), like investment property, are unrealised and will reverse out over the lives of the derivatives.
- To be consistent we have adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2013 and 2012.
- We also allow for the taxation impacts of the above adjustments in both the 2013 and 2012 financial years.

Key Financial Performance Measures

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

This year we have reconsidered the financial performance measures that are most relevant to readers of our annual financial statements. We believe that measures which indicate performance against our strategic themes are the most relevant. Our new strategic plan, 'Faster, Higher, Stronger', has four themes. They are as follows:

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

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

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

Key Financial Performance Metrics 2013

STRATEGY	MEASURE	PERFORMANCE 2013	2012	% change
GROW TRAVEL MARKETS	**Total aircraft seat capacity**			
	International aircraft seat capacity	10,141,014	10,210,464	(0.7)
	Domestic aircraft seat capacity	8,420,058	7,930,289	6.2
GROW TRAVEL MARKETS	**Passenger movements**			
	International passenger movements	7,317,324	7,193,975	1.7
	International transit passenger movements	438,354	575,232	(23.8)
	Domestic passenger movements	6,760,537	6,236,915	8.4
GROW TRAVEL MARKETS	**MCTOW (maximum certificated take-off weight)**			
	International MCTOW	4,104,679	4,167,792	(1.5)
	Domestic MCTOW	1,824,689	1,733,819	5.2
STRENGTHEN OUR CONSUMER BUSINESS	**PSR (passenger spend rate) growth**			
	International terminal PSR	(1.1%)	8.1%	
STRENGTHEN OUR CONSUMER BUSINESS	**ARPS (average revenue per parking space) growth**			
	Increase in ARPS	9.1%	10.5%	
BE FAST, EFFICIENT AND EFFECTIVE	**Return on investment**			
	Return on Capital Employed (ROCE)	7.8%	6.9%	
BE FAST, EFFICIENT AND EFFECTIVE	**Passenger satisfaction/Airport Service Quality**			
	International	4.24	4.27	(0.6)
	Domestic	4.01	3.98	(0.8)
INVEST FOR FUTURE GROWTH	**Rent roll**			
	Annual rent roll $m (property division)	$43.998	$39.017	12.8
ALL	**EBITDAFI**			
	EBITDAFI per passenger	$22.79	$22.80	(0.0)

2013 Passenger Volume Analysis

Passenger volume is the most important driver of value for Auckland Airport. The majority of aeronautical revenues are from passenger charges. Also, increases in passenger movements provide the opportunity to increase sales in our retail and car parking businesses. Of the passenger types, international passenger volumes have a greater impact on value than domestic passengers. Revenue from international passengers is about four times greater than for domestic passengers with higher aeronautical charges and significantly bigger retail passenger spend rates.

	2013	2012	% change
Auckland passenger movements			
International arrivals	3,664,376	3,577,874	2.4
International departures	3,652,948	3,616,101	1.0
International passengers excluding transits	**7,317,324**	**7,193,975**	**1.7**
Transit passengers	438,354	575,232	(23.8)
Total international passengers	**7,755,678**	**7,769,207**	**(0.2)**
Domestic passengers	6,760,537	6,236,915	8.4
Total passenger movements	**14,516,215**	**14,006,122**	**3.6**

International passenger numbers (excluding transits) grew by 1.7% in the 12 months to June 2013 compared to those for the prior year. This was a pleasing performance given the loss of two routes prior to the commencement of the financial year, namely Qantas to Los Angeles and Aerolineas Argentinas to Buenos Aires. These two routes provided strong transit passenger services and therefore were the main driver of the drop in transit passengers.

International passenger numbers grew at different rates in each half of the financial year. Passenger numbers in the first half of the year were flat when compared to the strong growth delivered by the 2011 Rugby World Cup in the previous corresponding half year. Momentum started to build in the second half with growth of 3.3%. Increases in passenger volumes were evident with the arrival of Hawaiian Airlines in March 2013 assisting in driving demand to and from North America.

The continued increase in international passenger arrivals from Asia was evident through the year, particularly from China which saw growth of 26.5%. China has now surpassed the United Kingdom to be Auckland's second highest source of international passenger arrivals after Australia.

Domestic passenger numbers grew very strongly in the 12 months to June 2013 by 8.4%. The primary drivers of this growth were the addition of Air New Zealand and Jetstar capacity on the main trunk routes and a range of competitive airfares.

8.4%

2013 8.4% increase in Domestic passenger numbers in the 12 months to June 2013.

Asia leads the increase in international arrivals

In 2013 we reiterated our drive to develop passenger arrivals from key markets. In particular, we see the opportunity arising from routes within one flight from Auckland – Asia, Americas and Australia – and during the year we announced an ambitious target for our country to collectively grow the number of visitors to New Zealand to 4.0 million by 2020 (up from current New Zealand visitor arrivals of 2.5 million).

In 2013, Asian countries led the rise in international visitor arrivals to Auckland with China, Malaysia, Thailand, Taiwan and Japan all reporting growth above 10% in the year to June 2013 and China and Malaysia both reporting 26.5% increases. In particular, China has been assisted by a full year of daily return flights to Guangzhou by China Southern Airlines and follows the 31.9% growth in 2012. The strong Asian passenger increases reinforce the relevance of Auckland Airport's 'Ambition 2020' targets and our focus on Asia as a high opportunity target region.

26.5%

2013 26.5% increase in arrivals from China and Malaysia.

The following table shows the top 10 increases in arrivals by source market (by country of last permanent residence) in 2013:

	2013 arrivals	2012 arrivals	% change	% of 2013 arrivals	% of 2012 arrivals
People's Republic of China	213,781	168,950	26.5	5.8	4.7
Malaysia	19,575	15,478	26.5	0.5	0.4
Thailand	13,650	11,044	23.6	0.4	0.3
Taiwan	17,278	14,927	15.7	0.5	0.4
Japan	63,564	56,085	13.3	1.7	1.6
Fiji	23,607	22,010	7.3	0.6	0.6
India	30,215	28,844	4.8	0.8	0.8
New Zealand	1,717,286	1,644,836	4.4	46.9	46.0
Italy	7,346	7,134	3.0	0.2	0.2
Tonga	14,383	14,033	2.5	0.4	0.4

SOURCE: STATISTICS NEW ZEALAND

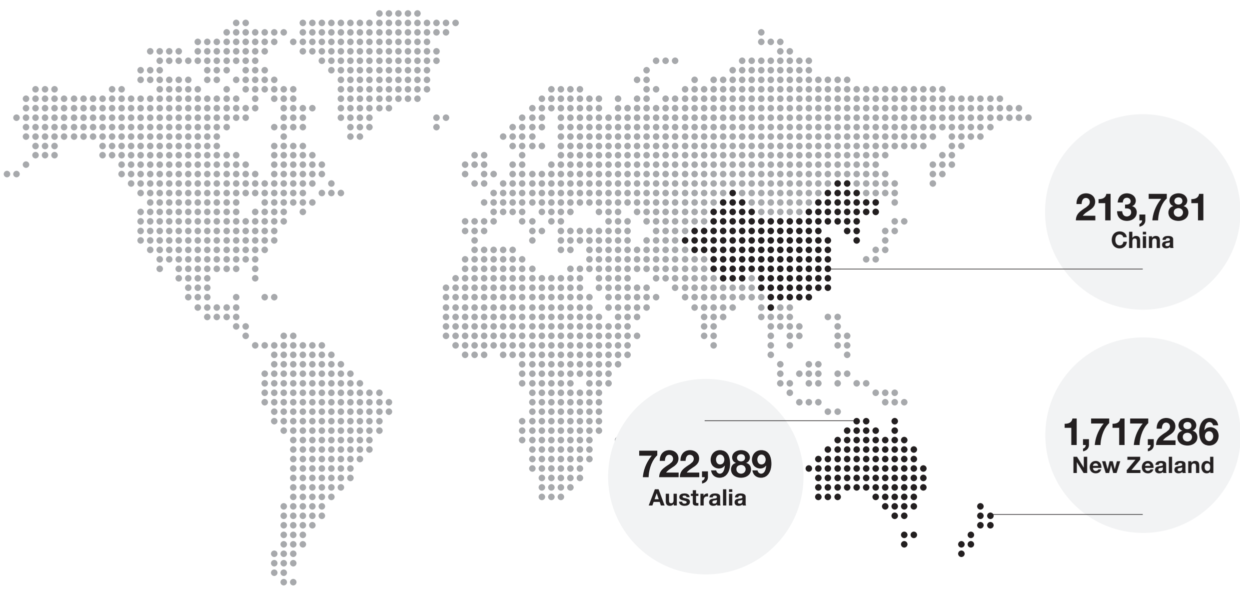
The three countries that reported the biggest decline in visitor arrivals were Ireland (down 41.2%), South Africa (down 38.7%) and France (down 33.0%), which all saw large passenger arrivals in the comparative 2012 financial year as a result of the 2011 Rugby World Cup.

The table below shows the top 20 arrivals into Auckland Airport by country of last permanent residence, the change from the prior year's volumes and the percentage of total arrivals:

	2013 arrivals	2012 arrivals	% change	% of 2013 arrivals	% of 2012 arrivals
Country of Last Permanent Residence					
New Zealand	1,717,286	1,644,836	4.4	46.9	46.0
Australia	722,989	715,115	1.1	19.7	20.0
People's Republic of China	213,781	168,950	26.5	5.8	4.7
United Kingdom	154,035	173,767	(11.4)	4.2	4.9
United States of America	151,590	150,766	0.5	4.1	4.2
Japan	63,564	56,085	13.3	1.7	1.6
Germany	49,939	49,370	1.2	1.4	1.4
Canada	41,287	42,918	(3.8)	1.1	1.2
Republic of Korea	40,258	43,822	(8.1)	1.1	1.2
India	30,215	28,844	4.8	0.8	0.8
Hong Kong	24,186	24,425	(1.0)	0.7	0.7
Singapore	23,769	27,196	(12.6)	0.6	0.8
Fiji	23,607	22,010	7.3	0.6	0.6
France	21,560	32,203	(33.0)	0.6	0.9
Malaysia	19,575	15,478	26.5	0.5	0.4
Samoa	17,536	17,862	(1.8)	0.5	0.5
Taiwan	17,278	14,927	15.7	0.5	0.4
Netherlands	16,865	18,128	(7.0)	0.5	0.5
New Caledonia	16,696	16,898	(1.2)	0.5	0.5
French Polynesia	15,355	15,794	(2.8)	0.4	0.4
Other	264,475	283,331	(6.7)	7.3	8.0
Total arrivals	**3,645,846**	**3,562,725**	**2.3**	**100.0**	**100.0**

SOURCE: STATISTICS NEW ZEALAND

Top 3 arrivals into Auckland Airport by country of last permanent residence – 2013



Overseas visitor arrivals by purpose of visit

The most common purposes of visit for international arrivals continue to be holidays (22.6%) and visiting friends and relatives (17.3%). The broad mix of purpose of visit for overseas travellers through the Airport, combined with a strong origin traffic base (New Zealand outbound), the attractiveness of New Zealand's destinations and the mix of origin of inbound passengers, provides Auckland Airport with a robust base of passenger volumes.

	2013	2012	% change	% of total
Purpose of Visit				
Holiday/vacation	823,536	820,880	0.3	22.6
Visit friends/relatives	629,680	623,584	1.0	17.3
Business/conference	510,348	498,570	2.4	14.0
Education/medical	86,482	88,320	(2.1)	2.4
Other (Incl. not stated/not captured)	1,595,800	1,531,371	4.2	43.8

SOURCE: STATISTICS NEW ZEALAND

2013 Aircraft Volumes Analysis

	2013	2012	% change
Aircraft movements			
International aircraft movements	44,314	45,094	(1.7)
Domestic aircraft movements	110,832	110,421	0.4
Total aircraft movements	**155,146**	**155,515**	**(0.2)**
MCTOW (maximum certificated take-off weight)			
International MCTOW	4,104,679	4,167,792	(1.5)
Domestic MCTOW	1,824,689	1,733,819	5.2
Total MCTOW	**5,929,368**	**5,901,611**	**0.5**

Total aircraft movements were 155,146, a decrease of 0.2% from 2012 while MCTOW increased to 5,929,368, a growth of 0.5% from 2012. Auckland Airport's airfield income is determined from the MCTOW of aircraft landing at Auckland Airport.

Aircraft movements have decreased as airlines look to increase capacity by using larger aircraft rather than offering additional flights. This continuing trend has contributed to the review of the timing of the construction of the northern runway, and the expectation that it can be delayed until the middle of next decade. The use of larger aircraft means that the airport can better utilise the existing runway to maximise passenger and MCTOW growth without the large capital expenditure of an additional runway until it is required.

International MCTOW decreased in the 2013 financial year over the prior period, primarily due to the withdrawal of the two international services before the beginning of the year (Qantas to Los Angeles and Aerolineas Argentinas to Buenos Aires). Domestic MCTOW increased by 5.2% due to the additional services operated by Air New Zealand and Jetstar.

0.5%

2013 MCTOW (maximum certificated take-off weight increased to 5,929,368, a growth of 0.5% from 2012.

2013 Financial Performance Analysis

Revenue

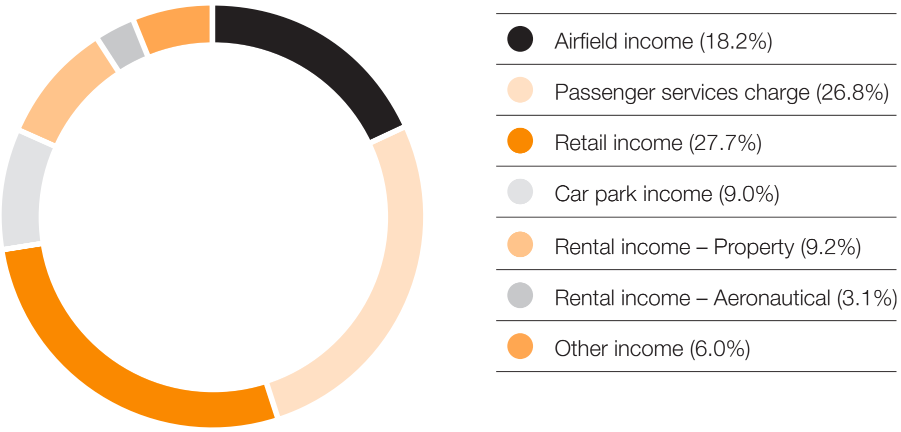
Auckland Airport's total revenue was $448.458 million in 2013, an increase of $21.645 million (5.1%) over 2012. This was driven by a rise in total aeronautical revenue (including airfield income, passenger services charge (PSC) and aeronautical rental income) of 3.7%, and outstanding growth in non-aeronautical revenue particularly property rental revenue (up 12.5%) and car park revenue (up 10.2%).

The 2013 financial year saw the introduction of new aeronautical prices for the period 1 July 2012 to 30 June 2017. Auckland Airport's charges for the 2013 financial year included a PSC for international passengers ($15.16 per passenger), domestic passengers ($1.98 per passenger) and transit passengers ($3.65 per passenger). The increase in the international PSC and the introduction of both a domestic and a transit PSC compensates for the now-abolished terminal services charge (TSC) and the reduction in aeronautical rental revenue in the international and domestic terminals.

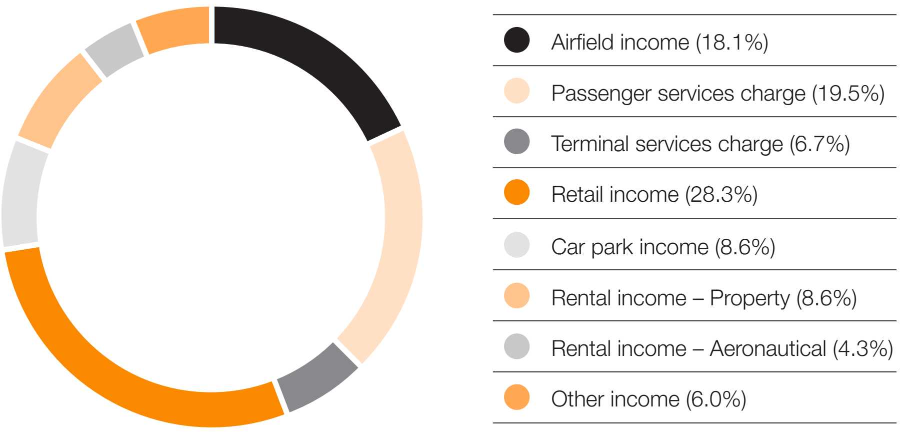
	2013 $m	2012 $m	% change
Operating revenue			
Airfield income	81.573	77.299	5.5
Passenger services charge	120.242	83.081	44.7
Terminal services charge	-	28.604	(100.0)
Retail income	124.308	120.863	2.9
Rental income – Property	41.099	36.542	12.5
Rental income – Aeronautical	13.885	18.215	(23.8)
Rental income – Retail	0.423	0.217	94.6
Total rental income	55.407	54.974	0.8
Car park income	40.370	36.620	10.2
Rates recoveries	4.180	4.390	(4.8)
Interest income	2.823	1.570	79.8
Other income	19.555	19.412	0.7
Total revenue	**448.458**	**426.813**	**5.1**

The following graphs show the shift in revenue make-up between the 2013 and 2012 financial years.

Revenue by type – 2013



Revenue by type – 2012



Airfield income

Airfield landing charges are based on the MCTOW of aircraft. Total MCTOW across international and domestic landings grew 0.5% in the year to 30 June 2013; therefore, the increase of 5.5% in airfield income was due to the scheduled price increase effective from 1 July 2012.

Passenger services charge

Following the changes in aeronautical pricing from 1 July 2012, a PSC is now being levied on airlines for departing and arriving international passengers, as well as domestic passengers and international transit passengers. Previously, a PSC had been charged only on departing and arriving international passengers. In addition, 50% of the scheduled PSC in 2013 was applied to international passengers aged 2 to 12 years, but remained free for passengers younger than 2 years old. The international PSC for 2 to 12 year olds increased to the full amount from 1 July 2013.

The following table shows a summary of the PSC applied in financial years 2012 and 2013, and the scheduled prices for 2014:

	2012 $	2013 $	2013 price change %	2014 $	2014 price change %
International PSC	12.44	15.16	21.9	15.39	1.5
International PSC (2–12 year olds)	-	7.58	-	15.39	103.0
Domestic PSC (>2 years)	-	1.98	-	2.03	2.5
Transits PSC (>2 years)	-	3.65	-	3.74	2.5

Due to the pricing changes outlined above, total PSC increased by $37.161 million (44.7%) in the year to 30 June 2013. Of this, $14.069 million is attributable to the introduction of the domestic and transit PSC. The international PSC increased by $23.093 million (27.8%) with $18.106 million (21.8%) due to the scheduled change in international PSC pricing and $4.987 million (6.0%) due to the increase in the volume of international paying passengers (with 2 to 12 year olds levied half the adult rate in 2013).

Terminal services charge

The TSC was abolished under the new aeronautical pricing. The previous revenue of $28.604 million in 2012 relating to floor space rental and capital and cost recoveries from the airlines in the international terminal has been replaced by the additional revenue received under the PSC.

Retail income

Auckland Airport earns concession revenue from retailers within the domestic and international terminals, including duty free and specialty stores, foreign exchange and food and beverage outlets. Total retail income was $124.308 million, an increase of $3.445 million (2.9%) over 2012.

International passengers spend more in the terminal than domestic passengers and therefore are the highest value drivers for retail income. Retail income per international passenger (including transits and transfers) was $16.49 in the 2013 financial year compared with $16.15 in the 2012 financial year, while international passenger spend rates decreased 1.1% in 2013 compared with those for 2012. The passenger spend rates relate to the sales revenue of the retailers in the terminals while Auckland Airport's retail income is a percentage of these sales. This minor decrease in the passenger spend rate is primarily due to tobacco law changes in New Zealand (retail display changes) and Australia (reduced arrival duty free allowances) reducing sales levels in this category.

Car park income

To drive car park revenue, we continue to actively manage market segments (for example, business or leisure) and price points through online and flexible pricing capability. As a result of this proactive approach, car park revenue was $40.370 million in the 2013 financial year, an increase of $3.750 million (10.2%) over 2012.

Also, in May 2013 Auckland Airport moved some airline and other tenant staff car park facilities from locations adjacent to the domestic terminal to new capacity in the Park & Ride car park facility, enabling the provision of more car parks close to the terminal for the travelling public. As at 30 June 2013, Auckland Airport had 8,942 car parks, an increase of 4.0% from 8,595 as at 30 June 2012.

Rental income

Auckland Airport earns rental income from space leased in facilities such as terminals and cargo buildings, and from stand-alone investment properties. Total rental income was $55.407 million in 2013, an increase of 0.8% over 2012. However, this includes a reduction of aeronautical rental income under the new price schedule (a decrease of 23.8%), which, as noted above, has been compensated for by an increase in the PSC. Property rental income on investment properties (excluding aeronautical and retail rental income) was $41.099 million in the 2013 financial year, an increase of $4.557 million (12.5%) over 2012.

Recently completed development of investment properties provided a lift in property rental income for the year. Specific developments completed in 2013 include the leasing of a new 3,000m^2 warehouse facility to Spazio Casa, leasing of the new 'Flex' multi-unit warehouse facility and the completion and full-year leasing of CEVA Logistics and Toll Global Forwarding. Positive rent reviews on existing property also contributed to the growth in property rental income.

Other income

Other income includes utilities (sale of electricity, gas and water) and transport licence fees. Total income from these sources was $19.555 million, a small increase of $0.143 million (0.7%) over 2012.

Expenses

Total operating expenses (excluding depreciation and interest) were $117.624 million in the 2013 financial year, an increase of $10.100 million (9.4%) over 2012. While some of this additional expenditure relates to the increased activity in regard to passenger movements (for instance marketing and outsourced operations), a proportion was also directly attributable to the movement in the share price during 2013. At the end of the year, as part of our setting of the new strategy, we reviewed the cost drivers for the individual expense items in the company. We will use this analysis to identify areas where we can reduce costs to lift net income per passenger.

	2013 $m	2012 $m	% change
Operating expenses			
Staff	39.953	34.326	16.4
Asset management, maintenance and airport operations	39.607	36.717	7.9
Rates and insurance	9.707	9.082	6.9
Marketing and promotions	14.138	12.207	15.8
Professional services and levies	7.491	7.517	(0.3)
Other	6.728	7.675	(12.3)
Total operating expenses	**117.624**	**107.524**	**9.4**

Operating expenses

The rise in staff costs is largely a result of the $4.266 million increase in the accruals for the long-term incentive plans for senior management which directly relate to the very strong company and share price performance over several financial years. Other additions to staff costs were reflective of the average increase in employee remuneration in line with inflation and the recruitment costs associated with the change in CEO and senior management.

Asset management, maintenance and airport operations expenses increased $2.890 million (7.9%) over that for the previous year. Increases in expenses in 2013 were primarily due to higher costs of utilities (electricity and water) and increased outsourced operations including full-year costs for the Emperor Lounge in 2013 and a rise in costs for car parking bus services (both with growth in revenues).

Rates and insurance increased by $0.625 million (6.9%) over 2012 in line with council rates and insurance price rises. However, these increases were substantially lower than the growth in 2012 of 16.0% following the increase in insurance premiums due to natural disasters in New Zealand and internationally.

The increase in marketing and promotions expenditure of $1.931 million (15.8%) was driven by marketing costs to support new-route development activities and additional retail and car parking promotions. In particular, this expenditure included marketing spend on expanding the markets from China, Malaysia, Taiwan and Hawaii. This spend also includes the launch of Auckland Airport initiatives, such as TripGuide (TV and online market campaign, Sina Weibo and NZ Journeys) to promote knowledge of new and growing airline routes.

Fees for professional services remained stable from 2012 to 2013. These expenses include legal and consulting fees relating to regulatory activities, such as the section 56G review of the new regulatory regime subsequent to our new aeronautical pricing and the merits appeal of regulatory input methodologies. These tasks were matched by the costs incurred to reset aeronautical charges incurred in the 2012 financial year.

Depreciation

Depreciation expense was $62.053 million, a decrease of $2.430 million (3.8%) over 2012. The primary cause of this reduction is the extended useful life of the domestic terminal following the current refurbishment, therefore lessening the amount of annual depreciation incurred in the current financial year.

Taxation

Taxation expense was $58.610 million for the 2013 financial year, an increase of $6.604 million (12.7%) over 2012. This reflects the growth in profit before taxation for the year (excluding property fair value adjustments).

Share of profit of associates

Total share of profit from associates in 2013 was $9.921 million, comprising North Queensland Airports (NQA) ($6.996 million), Tainui Auckland Airport Hotel Limited Partnership (TAAH) ($1.606 million) and Queenstown Airport ($1.319 million).

Included in the 2013 financial year's share of profit from associates of $9.921 million (2012: $9.240 million) is: NQA's fair valuation gain on investment property of $1.307 million (2012: $1.827 million); TAAH's fair valuation gain on investment property of $0.450 million (2012: $1.566 million); and TAAH's fair valuation gain on financial instruments of $0.142 million (2012: loss of $0.318 million). Excluding these fair value changes, Auckland Airport's share of underlying profit from associates is $8.022 million for the 2013 financial year (2012: $6.165 million).

North Queensland Airports

Extract from 100 percent of North Queensland Airport's company results	2013 AU$m	2012 AU$m	% change
Financial performance			
Total revenue	119.202	111.700	6.7
EBITDAFI	75.068	70.087	7.1
Total net profit after tax	22.532	18.438	22.2
Passenger performance			
Domestic passengers – Mackay	1,109,073	1,120,419	(1.0)
Domestic passengers – Cairns	3,600,999	3,388,975	6.3
International passengers (excluding transits) – Cairns	554,700	541,700	2.4
International passengers (including transits) – Cairns	666,707	672,110	(0.8)

Auckland Airport's share of NQA's net profit after tax for the 2013 financial year was NZ$6.996 million, an increase of NZ$1.173 million (20.1%) over 2012. Excluding fair value gains on investment property, Auckland Airport's share of NQA's underlying profit increased to NZ$5.689 million, growth of NZ$1.693 million (42.3%).

Cairns' international numbers were relatively flat during the year as decreases from capacity to New Zealand and Singapore were offset by increases to China, Japan and Papua New Guinea. However, a considerable rise in domestic passenger numbers in Cairns and a retail revenue increase of 14.1% driven by improved passenger penetration contributed to strong revenue growth of 6.7% and EBITDAFI growth of 7.1%. An increase in net profit after tax of 22.2% for NQA was supported by stable depreciation and interest costs.

In 2010 Auckland Airport published a set of performance milestones for the 2013 financial year in respect of our investment in NQA. The three key milestones and consequent performance results are as follows:

	2013 Target	2013 Actual
North Queensland Airport's Milestone		
Domestic passengers (millions)	4.700	4.710
International passengers (millions)	0.830	0.667
EBITDAFI (AU$ million)	75.000	75.068

While we are disappointed we could not meet the international passenger volume milestone, it is very pleasing to achieve the EBITDAFI target of AU$75 million, an increase of 66.8% over the 2010 financial year result of AU$45 million.

Auckland Airport received a total of AU$10.801 million in dividends from its investment in NQA in the 2013 financial year (including AU$3.019 million declared and receivable as at 30 June 2013), compared with AU$10.311 million in the 2012 financial year (including AU$2.577 million declared and receivable as at 30 June 2012).

Queenstown Airport

Extract from 100 percent of Queenstown Airport's company results	2013 $m	2012 $m	% change
Financial performance			
Total Revenue	19.567	18.193	7.6
EBITDAFI	12.923	11.529	12.1
Total net profit after tax	5.280	5.172	2.1
Passenger performance			
Domestic passenger volume	957,204	851,795	12.4
International passenger volume	241,714	195,249	23.8
Total Passengers	**1,198,918**	**1,047,044**	**14.5**

Auckland Airport's share of Queenstown Airport's net profit after tax for the 2013 financial year was $1.319 million, a flat result on 2012. Queenstown Airport achieved excellent passenger growth during the year with international passengers growing 23.8% and domestic passengers growing 12.4%. Both Air New Zealand and Jetstar continued route development from Queenstown, including additional international capacity to Melbourne and Sydney.

Higher depreciation costs due to completed projects in the year and increased interest costs as a result of this capital expenditure gave rise to a growth of only 2.1% in net profit after tax. Auckland Airport received a dividend of $0.896 million from its investment in Queenstown Airport in 2013, compared with $1.072 million in the 2012 financial year.

Tainui Auckland Airport Hotel Limited Partnership

Auckland Airport has a 20% investment in the Novotel Hotel joint venture with Tainui Group Holdings and Accor Hotel Group. In the 2013 financial year, Auckland Airport recorded a share of profit from this investment of $1.606 million, a decrease of $0.482 million (23.1%) compared with that for the 2012 financial year. However, excluding TAAH's fair valuation gains on investment property and financial instruments, Auckland Airport's share of underlying profit from this investment was $1.014 million, an increase of $0.174 million (20.7%) compared with 2012.

The hotel's occupancy rates were 83.2% for the full year to 30 June 2013, up from 82.0% for the year to 30 June 2012.

83.2%

2013 Novotel Hotel's occupancy rates were 83.2% for the full year to 30 June 2013, up from 82.0% for the year to 30 June 2012.

Fair value changes

In 2013, investment property fair value changes resulted in a gain in the income statement of $23.091 million, compared with a gain of $1.350 million in 2012, due to an improvement in capitalisation rates of the property portfolio and also the continued development undertaken on key precincts such as The Landing.

Derivative fair value changes during the 2013 financial year resulted in a gain in the income statement of $1.473 million, compared with a loss of $2.148 million in 2012. These fair value changes relate to derivative financial instruments which have not been designated in a hedge relationship.

2013 Financial Position Analysis

As at 30 June	2013 $m	2012 $m	% change
Non-current assets	3,838.861	3,806.269	0.9
Current assets	99.691	69.264	43.9
Total assets	**3,938.552**	**3,875.533**	**1.6**
Non-current liabilities	1,232.873	1,158.503	6.4
Current liabilities	206.172	244.263	(15.6)
Equity	2,499.507	2,472.767	1.1
Total equity and liabilities	**3,938.552**	**3,875.533**	**1.6**

Auckland Airport continues to maintain a strong balance sheet by controlling capital expenditure and maintaining debt at the same level for the past few years. As at 30 June 2013, total assets amounted to $3,938.552 million, an increase of $63.019 million (1.6%) over 2012. Upward movements include capital expenditure additions, fair valuation gains to investment property and an increase in cash held as at 30 June 2013.

Shareholders' equity was $2,499.507 million, an increase of $26.740 million (1.1%) over 2012.

Gearing (measured as debt to debt plus shareholders' equity) increased marginally to 31.4% as at 30 June 2013, from 30.9% as at 30 June 2012.

Capital expenditure

Category	Amount $m	Key projects
Aeronautical	51.245	Taxi-way Lima, domestic terminal refurbishment, airfield slab replacement, new airbridges for Gates 1 and 4, acoustic and aircraft noise mitigation and masterplanning expenditure relating to a new domestic terminal.
Property	37.112	The Landing design and construction, Flex warehouse, land purchase, ITW warehouse, Airport Shopping Centre redevelopment and 3,000m2 stand-alone warehouse
Retail	1.979	Domestic and Park & Ride car park extension
Infrastructure & other	3.135	IT system developments
Total	**93.471**	

Auckland Airport invested $93.471 million (2012: $83.141 million) during the year, including capitalised interest, in a range of projects across the business primarily in aeronautical improvements and investment property development. Capital expenditure is within the guidance provided at the FY13 interim results of between $90 and $100 million.

Forecast capital expenditure for the 2014 financial year is expected to be between $120 and $130 million, including completion of the existing domestic terminal refurbishment, continued runway maintenance and emergency response fleet (marine, fire) investments but excludes any design and development of a new terminal facility. Forecast property capital expenditure includes already committed and expected projects, however excludes any yet-to-be committed property development which may arise during the 2014 financial year.

Category	Forecast 2014 $m
Aeronautical	67
Property	48
Retail, car parking, infrastructure and other	11
Total capital expenditure	**126**

Borrowings

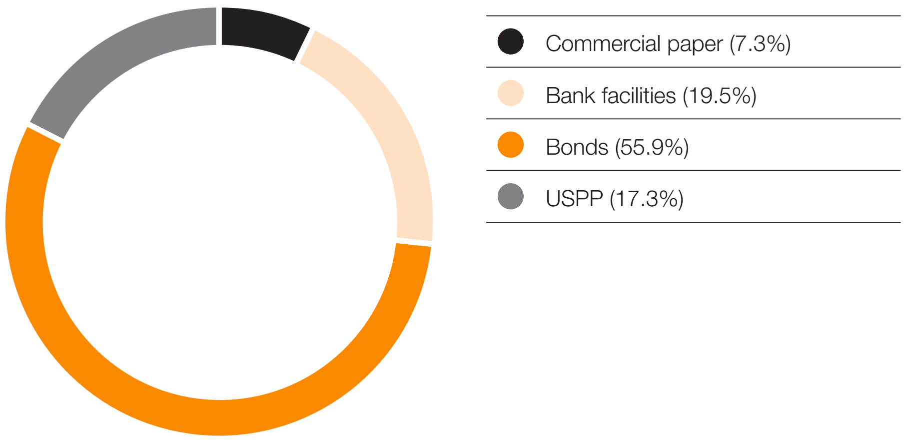
As at 30 June 2013, Auckland Airport's total borrowings were $1,141.945 million, an increase of $33.215 million over 2012 as a result of a higher level of borrowings of $50.496 million in the year, offset by a decrease due to foreign exchange valuation on AU$ and US Private Placement (USPP) borrowings and fair valuation changes on bond and USPP loans. Auckland Airport's borrowings include commercial paper totalling $81.709 million, USPP notes totalling $206.222 million, drawn bank facilities totalling $219.540 million, and fixed rate bonds totalling $634.474 million.

Short-term borrowings with a maturity of one year or less accounted for $131.709 million (11.5% of total borrowings), a decrease from 2012 of $181.800 million after the repayment of maturing bonds and bank facilities during the year. A new NZ$80 million multi currency bank facility was entered into in September 2012, which was partially drawn in November 2012 to repay the $50 million maturing bond. In addition, seven-year bonds amounting to NZ$100 million were issued in December 2012 at a fixed coupon interest rate of 4.73% to refinance the maturing bank facility in March 2013. The bond refinancing proved very successful compared to trading in our other listed bonds and banks that were also issuing bonds at a similar time. The low interest rate on the bond issue contributed to the decrease in average interest rates across Auckland Airport's entire debt portfolio.

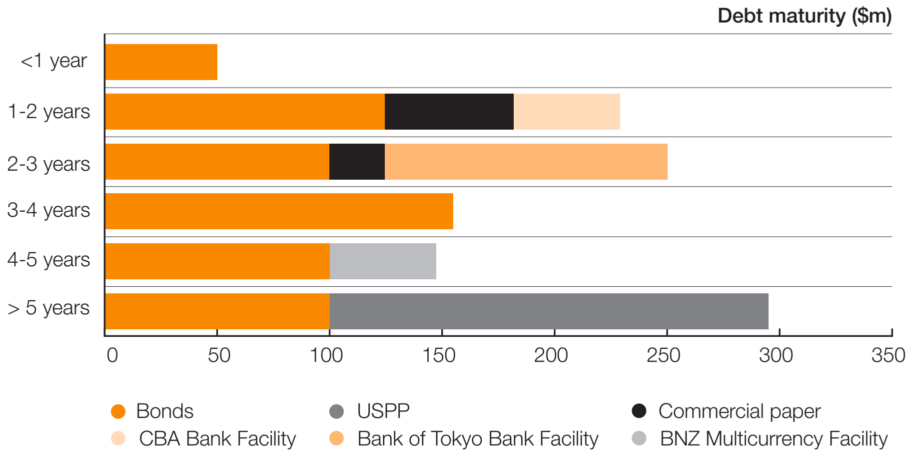
Auckland Airport has total bank facilities of $412.270 million, of which $219.540 million was drawn as at 30 June 2013, with $192.730 million of available facilities at year-end. As at 30 June 2013, total bank facilities include: a $150.000 million Bank of Tokyo standby facility, of which $125.000 million has been drawn; a NZ$135.000 million and AU$40.000 million CBA multi currency bank facility, of which the NZ$135.000 million facility is undrawn and the AU$40.000 million facility has been fully drawn; and a NZ$80.000 million BNZ multi currency bank facility of which AU$40.000 million has been drawn as at 30 June 2013.

The Bank of Tokyo standby facility and the CBA multi currency bank facility both support the commercial paper programme (current balance of $81.709 million as at 30 June 2013) through the availability of same-day draw-downs and provide liquidity backing for general working capital. As the commercial paper is supported by the bank facilities the following debt maturity profile chart as at 30 June 2013 includes the commercial paper in the one to two year and two to three year brackets, matching the maturities of the supporting facilities.

Borrowings by category



Debt maturity profile – as at 30 June 2013



Auckland Airport manages its exposure to financial risk on a prudent basis. This is achieved by spreading borrowings across various roll-over and maturity dates, and entering into financial instruments such as interest rate swaps in accordance with defined treasury policy parameters. The average maturity of drawn debt as at 30 June 2013 is 4.21 years (4.46 years as at 30 June 2012).

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

Auckland Airport has a foreign currency exposure in its investment in NQA, from AU$ to NZ$, and any movement in the value of this investment due to foreign currency translation is taken to the Foreign Currency Translation Reserve (FCTR). As at 30 June 2013, Auckland Airport had AU$80 million of bank facilities drawn in AU$ as a partial hedge of the currency exposure on this investment. At a parent level the foreign exchange movements on these bank facilities are accounted for in the profit and loss, but on a consolidated group level the foreign exchange movements on these bank facilities are accounted for in the FCTR to offset the movements from the revaluation of the investment.

Key credit metrics

	2013	2012	%
Debt/Debt + equity (as at 30 June)	31.4%	30.9%	0.5
Debt/EBITDAFI (as at 30 June)	3.45	3.47	(0.6)
Funds From Operations interest cover (as at 30 June)	4.16	3.89	7.0
Weighted average interest cost (year average)	6.2%	6.5%	(0.3)
Average debt maturity profile (as at 30 June, years)	4.21	4.46	(5.7)
Percentage of fixed borrowing (as at 30 June)	66.3%	66.3%	0.0

Capital structure and credit rating

Standard & Poor's (S&P) long-term credit rating of Auckland Airport is 'A- Positive Outlook' (2012: 'A- Stable') and the short-term rating is 'A2'. S&P increased its rating and outlook on Auckland Airport from 'A- Stable' to 'A- Positive' subsequent to the 2012 annual results and the announcement of the increase in the dividend pay-out ratio from 90% of net profit after tax to 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one-off items). An 'A- Positive Outlook' by S&P reflects the strength of Auckland Airport and our ability to meet our financial commitments. The balance sheet continues to be prudently managed in the current business and financing environment.

Cash flow

	2013 $m	2012 $m	% change
Net cash inflow from operating activities	207.816	196.725	5.6
Net cash outflow from investing activities	(75.176)	(70.334)	6.9
Net cash outflow from financing activities	(106.329)	(129.695)	(18.0)
Net increase/(decrease) in cash held	**26.311**	**(3.304)**	(896.3)

Net cash inflow from operating activities was $207.816 million, an increase of $11.091 million (5.6%) over 2012, representing the strong operating performance during the 2013 financial year.

Net cash outflow applied to investing activities was $75.176 million, an increase of $4.842 million (6.9%) over 2012, due to increased capital expenditure in the current year.

Net cash outflow applied to financing activities was $106.329 million, a decrease of $23.336 million (18.0%) over 2012. 2013 saw an increase in borrowings of $50.383 million, compared with a decrease in borrowings of $9.507 million in 2012. This growth in borrowings was offset by $36.366 million, due to higher dividends being paid in the 2013 financial year, compared with those for the 2012 financial year.

2013 Returns for Shareholders

Dividend policy

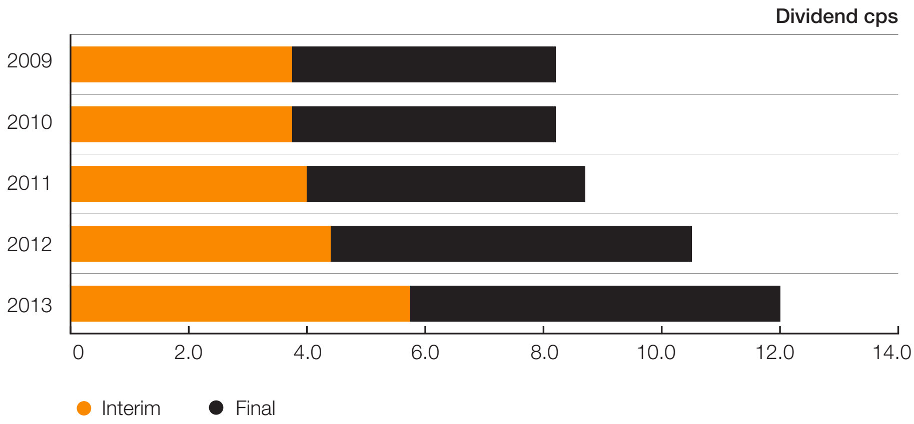
Auckland Airport's dividend policy is to pay 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one-off items). The directors may consider paying dividends above this level depending on the amount of cash held, the availability of imputation credits and the outlook at the time. The dividend policy was increased from 90% of net profit after tax in August 2012 for the 2012 final dividend.

2013 dividend

The final dividend for the year ending 30 June 2013 is 6.25 cents per share (2012: 6.10 cents per share), resulting in a full year dividend for the year ending 30 June 2013 of 12.00 cents per share (2012: 10.50 cents per share). At 12.00 cents per share the dividend pay-out ratio for the 2013 financial year is 103.2%, reflecting the cash held and the positive view of the outlook for the next financial year.

The 2013 final dividend will be paid on 17 October 2013 to shareholders on the register at the close of business on 3 October 2013. The dividend will carry full imputation credits at the company tax rate of 28%. In addition, the normal supplementary dividend, sourced from corresponding tax credits available to the company, will be paid to non-resident shareholders.

Dividend history



Share price performance and total shareholder returns

Auckland Airport has seen strong share price performance in the year to 30 June 2013, increasing from $2.44 as at 1 July 2012 to $2.97 as at 30 June 2013, an increase of 21.7%.

Total shareholder return (TSR), including share price appreciation and interim and final dividends relating to that year, is 26.6% for the 2013 financial year, the highest TSR in the last four years.

	Share Price Opening $	Share Price Closing $	Dividend cps	Total return $	Total shareholder return %
1 July 2009 to 30 June 2010	1.610	1.870	8.200	0.342	21.2%
1 July 2010 to 30 June 2011	1.870	2.230	8.700	0.447	23.9%
1 July 2011 to 30 June 2012	2.230	2.440	10.500	0.315	14.1%
1 July 2012 to 30 June 2013	**2.440**	**2.970**	**12.000**	**0.650**	**26.6%**

Income statements

FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Income					
Airfield income		81,573	77,299	81,573	77,299
Passenger services charge		120,242	83,081	120,242	83,081
Terminal services charge		-	28,604	-	28,604
Retail income		124,308	120,863	124,308	120,863
Rental income		55,407	54,974	55,407	54,974
Rates recoveries		4,180	4,390	4,180	4,390
Car park income		40,370	36,620	40,370	36,620
Interest income	5	2,823	1,570	16,536	15,846
Other income		19,555	19,412	26,530	19,412
Total income		448,458	426,813	469,146	441,089
Expenses					
Staff	5	39,953	34,326	39,953	34,326
Asset management, maintenance and airport operations		39,607	36,717	39,607	36,717
Rates and insurance		9,707	9,082	9,707	9,082
Marketing and promotions		14,138	12,207	14,138	12,207
Professional services and levies		7,491	7,517	7,491	7,517
Other expenses	5	6,728	7,675	6,728	8,688
Total expenses		117,624	107,524	117,624	108,537
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)		330,834	319,289	351,522	332,552
Share of profit of associates	8	9,921	9,240	-	-
Derivative fair value increase/(decrease)	5	1,473	(2,148)	1,473	(2,148)
Investment property fair value increases	12	23,091	1,350	23,091	1,350
Earnings before interest expense, taxation and depreciation (EBITDA)		365,319	327,731	376,086	331,754
Depreciation	11(a)	62,053	64,483	62,053	64,483
Earnings before interest expense and taxation (EBIT)		303,266	263,248	314,033	267,271
Interest expense and other finance costs	5	66,689	68,958	66,689	68,958
Profit before taxation		236,577	194,290	247,344	198,313
Taxation expense	6(a)	58,610	52,006	63,763	55,313
Profit after taxation attributable to owners of the parent		177,967	142,284	183,581	143,000

		Cents	Cents
Earnings per share:			
Basic and diluted earnings per share	10	13.46	10.76

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Profit for the period		177,967	142,284	183,581	143,000
Other comprehensive income					
Items that will not be reclassified to income statement:					
Tax on the property, plant and equipment revaluation reserve	16(b)(ii)	(465)	472	(465)	472
Items that will not be reclassified to income statement		(465)	472	(465)	472
Items that may be reclassified subsequently to income statement:					
Cash flow hedges:					
Fair value gains/(losses) recognised in the cash flow hedge reserve	16(b)(iv)	3,187	(19,716)	3,187	(19,716)
Realised (gains)/losses transferred to the income statement	16(b)(iv)	8,764	11,466	8,764	11,466
Tax effect of movements in the cash flow hedge reserve	16(b)(iv)	(3,346)	2,310	(3,346)	2,310
Total cash flow hedge movement		8,605	(5,940)	8,605	(5,940)
Movement in share of reserves of associates	8	841	(9,668)	-	-
Movement in foreign currency translation reserve	16(b)(vi)	(3,496)	(1,724)	-	-
Items that may be reclassified subsequently to income statement		5,950	(17,332)	8,605	(5,940)
Total other comprehensive income		5,485	(16,860)	8,140	(5,468)
Total comprehensive income for the period, net of tax attributable to the owners of the parent		183,452	125,424	191,721	137,532

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2013

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

GROUP	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Share of reserves of associates $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000
At 1 July 2011		338,386	(161,304)	2,149,731	913	(20,674)	(1,683)	3,755	158,407	2,467,531
Profit for the year		-	-	-	-	-	-	-	142,284	142,284
Other comprehensive income/(loss)		-	-	472	-	(5,940)	(9,668)	(1,724)	-	(16,860)
Total comprehensive income/(loss)		-	-	472	-	(5,940)	(9,668)	(1,724)	142,284	125,424
Reclassification to retained earnings	16(a)	-	-	(1,614)	-	-	-	-	1,614	-
Shares issued	15	11,043	-	-	-	-	-	-	-	11,043
Share buy back	15	(583)	(10,300)	-	-	-	-	-	-	(10,883)
Dividend paid	9	-	-	-	-	-	-	-	(120,348)	(120,348)
At 30 June 2012		348,846	(171,604)	2,148,589	913	(26,614)	(11,351)	2,031	181,957	2,472,767

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

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

PARENT	NOTES	Issued and paid-up capital $000	Cancelled share reserve $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2011		338,917	(161,304)	2,149,731	913	(20,674)	168,282	2,475,865
Profit for the year		-	-	-	-	-	143,000	143,000
Other comprehensive income/(loss)		-	-	472	-	(5,940)	-	(5,468)
Total comprehensive income/(loss)		-	-	472	-	(5,940)	143,000	137,532
Reclassification to retained earnings	16(a)	-	-	(1,614)	-	-	1,614	-
Shares issued	15	10,721	-	-	-	-	-	10,721
Share buy back	15	(583)	(10,300)	-	-	-	-	(10,883)
Dividend paid	9	-	-	-	-	-	(120,365)	(120,365)
At 30 June 2012		349,055	(171,604)	2,148,589	913	(26,614)	192,531	2,492,870

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of financial position

AS AT 30 JUNE 2013

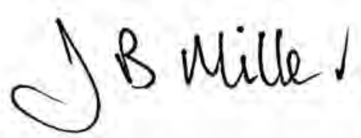
		GROUP		PARENT	
	NOTES	2013 $000	2012 $000	2013 $000	2012 $000
Non-current assets					
Property, plant and equipment	11	3,020,247	3,021,865	3,020,247	3,021,865
Investment properties	12	635,902	579,783	635,902	579,783
Investment in associates	8	165,658	179,957	-	-
Investment in subsidiaries	7	-	-	40,000	40,000
Derivative financial instruments	21(c)	17,054	24,664	17,054	24,664
Intercompany loans	7	-	-	162,751	166,651
		3,838,861	3,806,269	3,875,954	3,832,963
Current assets					
Cash and cash equivalents	13	69,153	42,842	69,153	42,842
Inventories		40	10	40	10
Prepayments		5,223	5,404	5,223	5,404
Accounts receivable	14	21,689	17,664	21,688	17,664
Dividend receivable	8(b)	3,568	3,290	-	-
Derivative financial instruments	21(c)	18	54	18	54
		99,691	69,264	96,122	65,974
Total assets		3,938,552	3,875,533	3,972,076	3,898,937

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

	NOTES	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Shareholders' equity					
Issued and paid-up capital	15	348,848	348,846	349,501	349,055
Cancelled share reserve	16(b)(i)	(171,604)	(171,604)	(171,604)	(171,604)
Property, plant and equipment revaluation reserve	16(b)(ii)	2,147,691	2,148,589	2,147,691	2,148,589
Share-based payments reserve	16(b)(iii)	913	913	913	913
Cash flow hedge reserve	16(b)(iv)	(18,009)	(26,614)	(18,009)	(26,614)
Share of reserves of associates	16(b)(v)	(10,510)	(11,351)	-	-
Foreign currency translation reserve	16(b)(vi)	(1,465)	2,031	-	-
Retained earnings	16(a)	203,643	181,957	219,810	192,531
		2,499,507	2,472,767	2,528,302	2,492,870
Non-current liabilities					
Term borrowings	18	1,010,236	926,930	1,010,236	926,930
Derivative financial instruments	21(c)	21,733	31,627	21,733	31,627
Deferred tax liability	6(c)	200,159	199,246	199,162	198,775
Other term liabilities		745	700	745	700
		1,232,873	1,158,503	1,231,876	1,158,032
Current liabilities					
Accounts payable and accruals	17	62,149	54,439	62,063	54,439
Taxation payable		10,372	6,160	16,184	9,932
Derivative financial instruments	21(c)	-	1,339	-	1,339
Short-term borrowings	18	131,709	181,800	131,709	181,800
Provisions	24	1,942	525	1,942	525
		206,172	244,263	211,898	248,035
Total equity and liabilities		3,938,552	3,875,533	3,972,076	3,898,937

These financial statements were approved and adopted by the Board on 21 August 2013.

Signed on behalf of the Board by:



Joan Withers
Director, chair of the Board

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

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Cash flow statements

FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers		441,868	428,523	448,705	428,523
Interest received		2,823	1,570	2,823	1,570
		444,691	430,093	451,528	430,093
Cash was applied to:					
Payments to suppliers and employees		(111,852)	(105,753)	(118,775)	(105,514)
Income tax paid		(57,296)	(59,207)	(57,297)	(59,207)
Other taxes paid		(264)	(255)	(264)	(255)
Interest paid		(67,463)	(68,153)	(67,463)	(68,153)
		(236,875)	(233,368)	(243,799)	(233,129)
Net cash flow from operating activities	19	207,816	196,725	207,729	196,964
Cash flow from investing activities					
Cash was provided from:					
Intercompany loan repayment		-	-	13,976	15,434
Dividends from associates		14,312	15,335	-	-
		14,312	15,335	13,976	15,434
Cash was applied to:					
Purchase of property, plant and equipment		(55,006)	(46,485)	(55,006)	(46,485)
Interest paid – capitalised		(2,248)	(1,822)	(2,248)	(1,822)
Expenditure on investment properties		(32,234)	(36,335)	(32,234)	(36,335)
Settlement of net investment hedge		-	(1,027)	-	-
		(89,488)	(85,669)	(89,488)	(84,642)
Net cash flow applied to investing activities		(75,176)	(70,334)	(75,512)	(69,208)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	15	2	11,043	446	10,721
Increase in borrowings		175,383	552,493	175,383	551,467
		175,385	563,536	175,829	562,188
Cash was applied to:					
Share buy-back		-	(10,883)	-	(10,883)
Decrease in borrowings		(125,000)	(562,000)	(125,000)	(562,000)
Dividends paid	9	(156,714)	(120,348)	(156,735)	(120,365)
		(281,714)	(693,231)	(281,735)	(693,248)
Net cash flow applied to financing activities		(106,329)	(129,695)	(105,906)	(131,060)
Net increase/(decrease) in cash held		26,311	(3,304)	26,311	(3,304)
Opening cash brought forward		42,842	46,146	42,842	46,146
Ending cash carried forward	13	69,153	42,842	69,153	42,842

THE NOTES AND ACCOUNTING POLICIES ON PAGES 53 TO 108 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2013

1. Corporate information

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

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

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

These financial statements were authorised for issue in accordance with a resolution of the directors on 21 August 2013.

2. Summary of significant accounting policies

a / Basis of preparation

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

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

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

The format of the income statement and segment reporting note has been amended in the current year to separately identify professional services and levies expenses from other expenses. The comparative information has been re-stated to reflect this change.

The presentation of the cash flow statement has been amended with the increase and decrease in borrowings now reported net for bank facilities and commercial paper where the turnover is frequent and the maturities are short. The comparatives have also been re-stated to reflect the movement in borrowings on a net basis. The increase in borrowings and decrease in borrowings within the cash flow statement have both been reduced by $946.887 million in the prior year comparative.

b / Statement of compliance

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

c / New accounting standards and interpretations

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

- *Amendments to NZ IAS 1 Presentation of financial statements – Presentation of items of other comprehensive income* is effective for annual reporting periods beginning on or after 1 July 2012. The Amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may impact the income statement in the future. It does not affect the measurement of any of the items recognised in the statement of financial position or the income statement in the current period.
- The amendment *Deferred tax: Recovery of Underlying Assets (Amendments to NZ IAS 12)* is effective for annual reporting periods beginning on or after 1 January 2012. The revised standard introduces a rebuttable presumption that an investment property is recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to realise substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of Auckland Airport do rebutt the presumption of recovery through sale as it is expected that the company will receive the fair value of investment property by holding the investment property over that property's life. Therefore, application of this amendment has not had any impact on these financial statements.

New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2013. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the group's financial statements. These will be applied when they become mandatory. The significant item is:

NZ IFRS 13 Fair Value Measurement ('NZ IFRS 13') is effective for periods beginning on or after 1 January 2013. NZ IFRS 13 establishes a single source of guidance under NZ IFRS for all fair value measurements. NZ IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies CONTINUED

to measure fair value under NZ IFRS when fair value is required or permitted. The group is yet to assess the full impact that this standard will have on the financial position and performance, but based on preliminary analyses at 30 June 2013, no material impact is expected, but the impacts may vary in the future.

d / Basis of consolidation

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

Subsidiaries are all those entities, including special purpose entities, over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

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

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

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

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

e / Investments in associates

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

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

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

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

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

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

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

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

f / Segment reporting

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

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

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

g / Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Translation of foreign operations

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

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

h / Cash

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

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

i / Cash flow statement

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

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

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

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

j / Accounts receivable

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

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

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

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

k / Derivative financial instruments and hedging

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

The fair values of forward foreign exchange contracts are determined using forward exchange market rates at balance date. The fair values of interest rate swaps and interest forward rate agreements are determined using valuation techniques based on cash flows discounted to present value using current market interest rates. The fair value of cross-currency interest rate swaps are determined using both forward exchange market rates and valuation techniques based on cash flows discounted to present value using current market interest rates.

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

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

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

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

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

Fair value hedges

Fair value hedges are mostly applicable to fixed-coupon debt where the fair value of the debt changes through changes in market interest rates. For fair value hedges, the carrying amount of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also remeasured to fair value. Gains and losses from both are taken to the income statement.

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

Cash flow hedges

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies CONTINUED

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

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

Hedges of a net investment

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

l / Investments and other financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

m / Property, plant and equipment

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

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

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

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

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

Revaluations

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

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

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

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

Depreciation

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

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

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

Disposal

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

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

n / Investment properties

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

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

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

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

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

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

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

o / Leases

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

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

p / Impairment of non-financial assets

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

q / Accounts payable and accruals

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

r / Loans and borrowings

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

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

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

s / Borrowing costs

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

t / Provisions

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

u / Employee benefits

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

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies CONTINUED

v / Share based payments

The group provides benefits to executives and employees of the group in the form of share-based payment transactions, whereby executives and employees as part of their remuneration render services in exchange for shares or rights over shares ('equity-settled transactions') and/or cash settlements based on the price of the group's shares against performance targets ('cash-settled transactions').

Equity-settled transactions

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

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

Cash-settled transactions

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

w / Revenue recognition

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

Rendering of services

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

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

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

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

Interest income

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

Dividend income

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

x / Income tax and other taxes

Income tax

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

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

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

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

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

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

Goods and services tax

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

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

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

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

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

y / Contributed equity

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

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

z / Earnings per share

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

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

3. Significant accounting judgements, estimates and assumptions

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

a / Fair value of investment property

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

b / Carrying value of property, plant and equipment

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

Revaluations are carried out, by independent valuers, with sufficient regularity to ensure that the carrying amount does not differ from the fair value at balance date. Judgement is required to determine whether the fair value of land, buildings and services, runway, taxiways and aprons and infrastructural assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment and the valuation methodologies and assumptions used to record the fair value of property, plant and equipment at 30 June 2011, are disclosed in note 11. The carrying amounts as at 30 June 2013 are judged as not being materially different to fair value.

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

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

4. Segment information

a / Identification of reportable segments

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

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

b / Types of services provided

Aeronautical

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

Retail

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

Property

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

c / Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2013 financial year accounted for 24.2 percent of external revenue (2012: 23.1 percent). The revenue from this customer is included in all three operating segments.

d / Geographical areas

Revenue from the reportable segments are derived in New Zealand being the location where the sale occurred. Property, plant and equipment and investment property of the reportable segments are located in New Zealand. The investment in the stapled securities of North Queensland Airports and the investment in Queenstown Airport are not part of the reportable segments of the group.

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

Income reported above represents income generated from external customers. There was no inter-segment income in the year (2012: $nil).

GROUP	Aeronautical $000	Retail $000	Property $000	Total $000
Year ended 30 June 2012				
External income				
Airfield income	77,299	-	-	77,299
Passenger service charge	83,081	-	-	83,081
Terminal services charge	28,604	-	-	28,604
Retail income	-	120,863	-	120,863
Rental income	18,215	217	36,542	54,974
Rates recoveries	517	1,059	2,814	4,390
Car park income	-	36,620	-	36,620
Interest income	-	-	8	8
Other income	6,855	7,286	1,712	15,853
Total segment income	214,571	166,045	41,076	421,692
Expenses				
Staff	19,832	2,715	2,250	24,797
Asset management, maintenance and airport operations	27,808	5,243	2,168	35,219
Rates and insurance	2,809	1,259	4,276	8,344
Marketing and promotions	9,054	2,506	325	11,885
Professional services and levies	3,684	158	484	4,326
Other expenses	2,175	859	942	3,976
Total segment expenses	65,362	12,740	10,445	88,547
Segment earnings before interest expense, taxation and depreciation (Segment EBITDA)	149,209	153,305	30,631	333,145

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

4. Segment information CONTINUED

e / Reconciliation of segment income to income statement:

	GROUP	
	2013 $000	2012 $000
Segment income	442,131	421,700
Interest income	2,813	1,562
Other revenue	3,514	3,551
Total income	448,458	426,813

f / Reconciliation of segment EBITDA to income statement:

	GROUP	
	2013 $000	2012 $000
Segment EBITDA	350,562	333,145
Unallocated external operating income from continuing operations	6,327	5,113
Unallocated external operating expenses from continuing operations	(26,055)	(18,977)
Share of profit/(loss) of an associate	9,921	9,240
Depreciation	(62,053)	(64,483)
Derivative fair value changes	1,473	(2,148)
Investment property fair value increases	23,091	1,350
Interest expense and other finance costs	(66,689)	(68,958)
Profit before taxation	236,577	194,290

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

5. Profit for the year

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Staff expenses comprise:				
Salaries and wages	27,845	27,277	27,845	27,277
Employee benefits	2,896	2,422	2,896	2,422
Share-based payment (refer note 26)	4,956	690	4,956	690
Defined contribution superannuation	914	802	914	802
Other staff costs	3,342	3,135	3,342	3,135
	39,953	34,326	39,953	34,326
Other income includes:				
Gain on foreign currency movements	-	-	6,971	-
Other expenses include:				
Audit fees for statutory audit and half year review	198	206	198	206
Auditor's regulatory audit, AGM and prospectus assurance fees	80	80	80	80
Directors' fees	1,122	998	1,122	998
Bad and doubtful debts written off	8	2	8	2
Doubtful debts - change in provision	-	(265)	-	(265)
(Gain)/loss on disposal of property, plant and equipment	-	(79)	-	(79)
Loss on foreign currency movements	5	66	-	1,079
Interest expense and other finance costs comprise:				
Interest on bonds and related hedging instruments	39,076	37,767	39,076	37,767
Interest on bank facilities and related hedging instruments	16,295	18,714	16,295	18,714
Interest on USPP notes and related hedging instruments	9,139	9,276	9,139	9,276
Interest on commercial paper and related hedging instruments	4,428	5,023	4,428	5,023
	68,937	70,780	68,937	70,780
Less capitalised borrowing costs (refer note 11(a) and note 12)	(2,248)	(1,822)	(2,248)	(1,822)
	66,689	68,958	66,689	68,958
Interest rate for capitalised borrowing costs	6.21%	6.61%	6.21%	6.61%

The share-based payment expense relates to long term incentive phantom option plans for leadership team remuneration. The increase in share-based payment expense in 2013 reflects share price appreciation from $2.44 at 30 June 2012 to $2.97 at 30 June 2013 (2012: $2.23 to $2.44). Refer to note 26 for further details on the phantom option plans.

Interest on financial liabilities that are not fair value through profit or loss was $63.902 million for the year ended 30 June 2013 (2012: $62.282 million). This represents the interest charged on bonds, bank facilities and commercial paper and associated fees and issue costs, but excludes interest on related hedging instruments.

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Interest income includes:				
External interest income	2,823	1,570	2,823	1,570
Intercompany interest	-	-	13,713	14,276
	2,823	1,570	16,536	15,846
Derivative fair value increase/(decrease) includes:				
Interest basis swaps transacted as hedges but not qualifying for hedge accounting	1,473	(2,148)	1,473	(2,148)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

6. Taxation

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
a / Income tax expense				
The major components of income tax expense are:				
Current income tax				
Current income tax charge	63,326	55,792	68,979	59,575
Income tax over provided in prior year	(1,818)	(702)	(1,792)	(702)
Deferred income tax				
Movement in deferred tax	(2,898)	(3,084)	(3,424)	(3,560)
Total taxation expense	58,610	52,006	63,763	55,313

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
b / Reconciliation between prima facie taxation and tax expense				
Profit before taxation	236,577	194,290	247,344	198,313
Prima facie taxation at 28%	66,242	54,401	69,256	55,528
Adjustments:				
Share of associate's tax paid earnings	(2,328)	(2,003)	-	-
Revaluation with no tax impact	(6,030)	(386)	(6,030)	(386)
Income tax over provided in prior year	(1,818)	(702)	(1,792)	(702)
Other	2,544	696	2,329	873
Total taxation expense	58,610	52,006	63,763	55,313

c / Deferred tax assets and liabilities

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

GROUP	Balance 1 July 2011 $000	Movement in income $000	Movement in other comprehensive income $000	Balance 30 June 2012 $000
Deferred tax liabilities				
Property, plant and equipment	182,566	(4,931)	(472)	177,163
Investment properties	32,746	1,618	-	34,364
Other	127	442	-	569
Deferred tax liabilities	215,439	(2,871)	(472)	212,096
Deferred tax assets				
Cash flow hedge	8,039	-	2,310	10,349
Provisions and accruals	2,288	213	-	2,501
Deferred tax assets	10,327	213	2,310	12,850
Net deferred tax liability	205,112	(3,084)	(2,782)	199,246

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

6. Taxation CONTINUED

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

PARENT	Balance 1 July 2011 $000	Movement in income $000	Movement in other comprehensive income $000	Balance 30 June 2012 $000
Deferred tax liabilities				
Property, plant and equipment	182,566	(4,931)	(472)	177,163
Investment properties	32,746	1,618	-	34,364
Other	127	(28)	-	99
Deferred tax liabilities	215,439	(3,341)	(472)	211,626
Deferred tax assets				
Cash flow hedge	8,039	-	2,310	10,349
Provisions and accruals	2,283	219	-	2,502
Deferred tax assets	10,322	219	2,310	12,851
Net deferred tax liability	205,117	(3,560)	(2,782)	198,775

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

d / Imputation credits

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Imputation credits available for use in subsequent reporting periods as at 30 June	30,751	30,185	36,517	33,918

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

7. Subsidiary companies

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

	COUNTRY OF INCORPORATION	% EQUITY INTEREST 2013	2012
Auckland Airport Limited	New Zealand	100.00	100.00
Auckland International Airport Limited Share Purchase Plan	New Zealand	-	-
Auckland Airport Holdings Limited	New Zealand	100.00	100.00
Auckland Airport Holdings (No.2) Limited	New Zealand	100.00	100.00

Auckland Airport Limited

Auckland Airport Limited was established on 23 July 2007 and holds the investment in Tainui Auckland Airport Hotel Limited Partnership. At 30 June 2013 a loan of $5.108 million (2012: $5.669 million) was owing from Auckland Airport Limited to Auckland International Airport Limited. Repayment of $0.561 million (2012: $0.531 million) was made during the year by way of return of partner equity contribution of $0.480 million (2012: $0.520 million) and tax payable offset by loss utilisation of $0.081 million (2012: $0.011 million) from Tainui Auckland Airport Hotel Limited Partnership. The loan is interest free and repayable on demand.

Auckland International Airport Limited Share Purchase Plan

Auckland International Airport Limited Share Purchase Plan (purchase plan) was established by the company on 16 November 1999 to assist employees (but not directors) to become equity holders in the company. A Trust Deed dated 19 November 1999 governs the operation of the purchase plan. The purchase plan is consolidated as part of the group because the company has the power to govern the purchase plan due to the trustees of the purchase plan being employees of the company. At 30 June 2013 a loan of $0.331 million was owing from Auckland International Airport Limited Share Purchase Plan to Auckland International Airport Limited. At 30 June 2012 a loan of $0.005 million was owing from Auckland International Airport Limited to Auckland International Airport Limited Share Purchase Plan. The loan is interest free and repayable on demand.

Auckland Airport Holdings Limited

Auckland Airport Holdings Limited was established on 22 December 2009 and holds the investment in North Queensland Airports. Auckland International Airport Limited holds $40.000 million (2012: $40.000 million) of share capital in Auckland Airport Holdings Limited. At 30 June 2013 a loan of $131.201 million (2012: $133.980 million) was owing from Auckland Airport Holdings Limited to Auckland International Airport Limited. Repayment of $16.491 million (2012: $19.760 million) was made during the year using dividends received from North Queensland Airports of $12.935 million (2012: $13.743 million) and tax payable offset by loss utilisation of $3.556 million (2012: $6.017 million). The loan is repayable on demand. Interest charged was $13.713 million (2012: $14.276 million) at a rate of 10.5 percent (2012: 10.5 percent).

Auckland Airport Holdings (No.2) Limited

Auckland Airport Holdings (No. 2) Limited was established on 7 July 2010 and holds the investment in Queenstown Airport Corporation Limited. At 30 June 2013 a loan of $26.111 million (2012: $27.007 million) was owing from Auckland Airport Holdings (No.2) Limited to Auckland International Airport Limited. Repayment of $0.896 million (2012: $1.072 million) was made during the year by way of dividends from Queenstown Airport Corporation Limited. The loan is interest free and repayable on demand.

8. Investment in associates

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Investment in associates at beginning of the year	179,957	197,635	-	-
Share of profit after tax of associates	9,921	9,240	-	-
Share of reserves of associates	841	(9,668)	-	-
Share of dividends received	(14,076)	(14,325)	-	-
Share of repayment of partner contribution	(480)	(520)	-	-
Foreign currency translation	(10,505)	(2,405)	-	-
Investment in associates at end of the year	165,658	179,957	-	-

The movements by investment in associate is summarised below:

	Share of profit $000	Share of reserves $000	Share of dividends $000	Share of repayment of partner contribution $000
Year ended 30 June 2013				
Tainui Auckland Airport Hotel Limited Partnership	1,606	-	-	(480)
Stapled Securities of North Queensland Airports Limited	6,996	675	(13,180)	-
Queenstown Airport Corporation Limited	1,319	166	(896)	-
Total	9,921	841	(14,076)	(480)
Year ended 30 June 2012				
Tainui Auckland Airport Hotel Limited Partnership	2,088	-	-	(520)
Stapled Securities of North Queensland Airports Limited	5,824	(9,459)	(13,253)	-
Queenstown Airport Corporation Limited	1,328	(209)	(1,072)	-
Total	9,240	(9,668)	(14,325)	(520)

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Tainui Auckland Airport Hotel Limited Partnership	8,915	7,789	-	-
Stapled Securities of North Queensland Airports Limited	127,009	143,023	-	-
Queenstown Airport Corporation Limited	29,734	29,145	-	-
Total	165,658	179,957	-	-

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

8. Investment in associates CONTINUED

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

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

Tainui Auckland Airport Hotel Limited Partnership has a balance date of 31 March 2013. Financial information for Tainui Auckland Airport Hotel Limited Partnership has been extracted from audited accounts for the period to 31 March 2013 and management accounts for the balance of the year to 30 June 2013.

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Investment in associate at beginning of the year	7,789	6,221	-	-
Share of repayment of partner contribution	(480)	(520)	-	-
Share of surplus after tax of associate	1,606	2,088	-	-
Investment in associate at end of the year	8,915	7,789	-	-

The following tables illustrate the financial information of the Tainui Auckland Airport Hotel Limited Partnership for the 2013 and 2012 financial years, this is before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies to the accounting policies of the group.

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

	2013 $000	2012 $000
Revenue	19,899	17,888
Expenses	13,068	11,711
Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF)	6,831	6,177
Derivative fair value increase/(decrease)	709	(1,591)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	7,540	4,586
Depreciation and amortisation expense	2,157	2,455
Earnings before interest and taxation (EBIT)	5,383	2,131
Interest expense	1,760	1,771
Profit/(loss) before tax	3,623	360
Income tax (benefit)/expense	-	-
Profit/(loss) after taxation	3,623	360
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the period	3,623	360

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

	2013 $000	2012 $000
Current assets	4,121	3,794
Non-current assets	55,075	57,013
Total assets	59,196	60,807
Current liabilities	3,663	4,404
Non-current liabilities	26,385	28,185
Shareholders' equity	29,148	28,218
Total equity and liabilities	59,196	60,807

The directors of Tainui Auckland Airport Hotel Limited Partnership declared a repayment of partner contribution of $2.400 million in the year ended 30 June 2013 (year ended 30 June 2012: $2.600 million). The group's share of the partner contribution is $0.480 million (2012: $0.520 million) and the amount receivable at year end was nil (2012: nil).

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

Auckland Airport group owns a 24.55 percent stake in North Queensland Airports, the operator of Cairns and Mackay airports in Queensland. The company purchased the stake in North Queensland Airports on 13 January 2010 for AU$132.8 million ($NZ166.7 million).

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Investment in associate at beginning of the year	143,023	162,316	-	-
Share of profit/(loss) after tax of associate	6,996	5,824	-	-
Share of reserves of associate	675	(9,459)	-	-
Dividends received or receivable	(13,180)	(13,253)	-	-
Foreign currency translation	(10,505)	(2,405)	-	-
Investment in associate at end of the year	127,009	143,023	-	-

The foreign currency translation as at 30 June 2013 of $10.505 million (2012: $2.405 million) reflects a movement in the Australian Dollar from $0.7835 at 30 June 2012 to $0.8462 at 30 June 2013 (2012: $0.7713 at 30 June 2011 to $0.7835 at 30 June 2012).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

8. Investment in associates CONTINUED

The following tables illustrate the unaudited financial information of North Queensland Airports Limited for the 2013 and 2012 financial years:

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

	2013 AU$000	2012 AU$000
Revenue	119,202	111,700
Expenses	44,134	41,613
Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF)	75,068	70,087
Investment property fair value increase	4,455	5,807
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	79,523	75,894
Depreciation and amortisation expense	22,967	23,222
Earnings before interest and taxation (EBIT)	56,556	52,672
Interest expense	33,966	34,085
Profit/(loss) before taxation	22,590	18,587
Income tax expense/(benefit)	58	149
Profit/(loss) after taxation	22,532	18,438
Other comprehensive income/(loss)	2,034	(30,026)
Total comprehensive profit/(loss) for the period	24,566	(11,588)

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

	2013 AU$000	2012 AU$000
Current assets	35,218	35,006
Non-current assets	651,135	659,771
Goodwill	231,066	231,066
Total assets	917,419	925,843
Current liabilities	70,947	72,867
Non-current liabilities	485,697	473,526
Shareholders' equity	360,775	379,450
Total equity and liabilities	917,419	925,843

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

The directors of North Queensland Airports declared dividends of AU$44.000 million in the year ended 30 June 2013 (year ended 30 June 2012: AU$42.000 million). The group's share of the dividend is AU$10.801 million (NZ$13.180 million) (2012: AU$10.311 million, NZ$13.253 million) and the amount receivable at year end was AU$3.019 million (NZ$3.568 million), (2012: AU$2.577 million, NZ$3.290 million).

c / Investment in Associates – Queenstown Airport Corporation Limited

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Investment in associate at beginning of the year	29,145	29,098	-	-
Share of profit after tax of associate	1,319	1,328	-	-
Dividends received from associate	(896)	(1,072)	-	-
Share of reserves of associate	166	(209)	-	-
Investment in associate at end of the year	29,734	29,145	-	-

The following tables illustrate the unaudited financial information of Queenstown Airport for the 2013 financial year and audited financial information for the 2012 financial year:

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

	2013 $000	2012 $000
Revenue	19,567	18,193
Expenses	6,644	6,664
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	12,923	11,529
Depreciation and amortisation expense	4,186	3,260
Earnings before interest and taxation (EBIT)	8,737	8,269
Interest expense	1,350	1,029
Profit before tax	7,387	7,240
Income tax expense	2,107	2,068
Profit after taxation	5,280	5,172
Other comprehensive income/(loss)	565	(838)
Total comprehensive income for the period	5,845	4,334

Extract from 100 percent of Queenstown Airport's statement of financial position:

	2013 $000	2012 $000
Current assets	1,852	1,591
Non-current assets	151,772	150,194
Total assets	153,624	151,785
Current liabilities	2,875	2,895
Non-current liabilities	28,185	28,585
Shareholders' equity	122,564	120,305
Total equity and liabilities	153,624	151,785

The directors of Queenstown Airport declared dividends of $3.587 million in the year ended 30 June 2013 (year ended 30 June 2012: $4.288 million). The group's share of the dividend is $0.896 million (2012: $1.072 million) and the amount receivable at year end was nil (2012: nil).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

9. Distribution to shareholders

	Dividend payment date	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
2011 final dividend of 4.70 cps	21 October 2011	-	62,153	-	62,161
2012 interim dividend of 4.40 cps	2 April 2012	-	58,195	-	58,204
2012 final dividend of 6.10 cps	19 October 2012	80,666	-	80,677	-
2013 interim dividend of 5.75 cps	2 April 2013	76,048	-	76,058	-
Total dividends paid		156,714	120,348	156,735	120,365

Supplementary dividends of $6.763 million (2012: $4.229 million) are not included in the above dividends as the company receives an equivalent tax credit from the Inland Revenue.

On 21 August 2013, the directors approved the payment of a 2013 fully imputed final dividend of 6.25 cents per share (2012: 6.10 cents per share) to be paid on 17 October 2013.

The interim and final dividends relating to the 2013 financial year total 12.00 cents per share (2012: 10.50 cents per share).

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is $177.967 million (2012: $142.284 million).

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

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

	GROUP 2013 Shares	GROUP 2012 Shares
For basic earnings per share	1,322,370,824	1,322,616,711
Effect of dilution of share options	-	-
For dilutive earnings per share	1,322,370,824	1,322,616,711

The 2013 reported basic and diluted earnings per share is 13.46 cents (2012: 10.76 cents).

11. Property, plant and equipment

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

	GROUP AND PARENT					
Year end 30 June 2013	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Balances as at 1 July 2012						
At fair value	1,908,808	520,859	285,045	280,012	-	2,994,724
At cost	-	-	-	-	65,710	65,710
Work in progress at cost	-	27,220	5,627	33,158	1,893	67,898
Accumulated depreciation	-	(33,706)	(10,778)	(12,899)	(49,084)	(106,467)
Balances as at 1 July 2012	1,908,808	514,373	279,894	300,271	18,519	3,021,865
Additions	144	22,085	3,964	21,281	9,782	57,256
Transfers from/(to) investment property	3,187	-	-	-	-	3,187
Disposals	-	-	-	-	(7)	(7)
Depreciation	-	(31,752)	(10,635)	(12,898)	(6,768)	(62,053)
Movement to 30 June 2013	3,331	(9,667)	(6,672)	8,383	3,007	(1,617)
Balances as at 30 June 2013						
At fair value	1,912,139	546,442	286,226	298,381	-	3,043,188
At cost	-	-	-	-	70,021	70,021
Work in progress at cost	-	23,723	8,408	35,636	7,356	75,123
Accumulated depreciation	-	(65,459)	(21,412)	(25,363)	(55,851)	(168,085)
Balances as at 30 June 2013	1,912,139	504,706	273,222	308,654	21,526	3,020,247

Additions for the year ended 30 June 2013 include capitalised interest of $1.608 million (2012: $1.057 million).

In the year the remaining estimated useful life of the domestic terminal has been extended from four years to eight years to reflect the extension in life expected for that asset. The estimated useful life of some runway slabs has been reduced reflecting changes in the planned replacement timing for those assets. The net effect was a $2.296 million reduction in depreciation expense compared to the prior year for those assets.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

	GROUP AND PARENT					
Year end 30 June 2012	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Balances as at 1 July 2011						
At fair value	1,909,347	510,834	278,596	276,928	-	2,975,705
At cost	-	-	-	-	62,083	62,083
Work in progress at cost	-	7,491	1,430	30,213	1,151	40,285
Accumulated depreciation	-	-	-	-	(42,653)	(42,653)
Balances as at 1 July 2011	1,909,347	518,325	280,026	307,141	20,581	3,035,420
Additions	-	29,754	10,652	6,029	5,044	51,479
Transfers from/(to) investment property	(539)	-	-	-	-	(539)
Disposals	-	-	(6)	-	(7)	(13)
Depreciation	-	(33,706)	(10,778)	(12,899)	(7,100)	(64,483)
Movement to 30 June 2012	(539)	(3,952)	(132)	(6,870)	(2,063)	(13,556)
Balances as at 30 June 2012						
At fair value	1,908,808	520,859	285,045	280,012	-	2,994,724
At cost	-	-	-	-	65,710	65,710
Work in progress at cost	-	27,220	5,627	33,158	1,893	67,898
Accumulated depreciation	-	(33,706)	(10,778)	(12,899)	(49,084)	(106,467)
Balances as at 30 June 2012	1,908,808	514,373	279,894	300,271	18,519	3,021,865

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

Land and commercial properties were independently valued by Colliers International Limited and Seagar & Partners, registered valuers, as at 30 June 2011 to fair value. Reclaimed land, seawalls, specialised buildings, infrastructure, runways, taxiways and aprons site improvements on commercial properties and car park facilities were independently valued by Opus International Consultants Limited, a multi-disciplinary engineering consultancy company, as at 30 June 2011 to fair value.

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, 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, optimised depreciated replacement cost is used to determine fair value. The valuation methodologies used in the revaluation as at 30 June 2011 were consistent with the valuation methodologies used in the last valuation as at June 2006. At 30 June 2013 there was no material change in fair value.

To arrive at fair value for property, plant and equipment as at 30 June 2011 the valuers used different approaches for different asset groups. The following table summarises the valuation approach:

ASSET CLASSIFICATION AND DESCRIPTION	VALUATION APPROACH	VALUER
Land		
Airfield land, including land for runway, taxiways, aprons and approaches	Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use	Colliers International Limited
Reclaimed land and seawalls	Optimised depreciated replacement cost	Opus International Consultants Limited
Aeronautical land, including land associated with aircraft, freight and terminal uses	Direct sales comparison	Colliers International Limited and Seagar & Partners (Auckland) Limited
Land associated with car park facilities	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Colliers International Limited
Land associated with retail facilities within terminal buildings	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Colliers International Limited
Lessor's interest in land	Discounted cash flow	Colliers International Limited
Land associated with commercial property	Direct capitalisation of rental income and discounted cash flow	Colliers International Limited
Other land	Direct sales comparison	Colliers International Limited
Buildings and services		
Specialised buildings and services including terminals	Optimised depreciated replacement cost	Opus International Consultants Limited
Car park buildings and other improvements	Optimised depreciated replacement cost	Opus International Consultants Limited
Infrastructure		
Infrastructure assets associated with car park buildings and other improvements	Optimised depreciated replacement cost	Opus International Consultants Limited
Other infrastructure assets	Optimised depreciated replacement cost	Opus International Consultants Limited
Runway, taxiways and aprons		
Runway, taxiways and aprons	Optimised depreciated replacement cost	Opus International Consultants Limited

The principal assumptions used in establishing the valuations as at 30 June 2011 were as follows:

Airfield land including land for runway, taxiways and aprons

Adopted rate per hectare prior to holding costs	$1,020,000 per hectare
Holding costs	8.60%
Holding period	5 years
Direct costs	$4,500,000
Site levelling costs	$35,000 per hectare
Discount rate	10.00%

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

11. Property, plant and equipment CONTINUED

Land associated with car park facilities	International terminal car parks	Domestic terminal car parks	Park and ride car parks	Staff car parks
Discount rate	12.50%	13.50%	10.50%	9.50%
Terminal yield	10.00%	12.50%	9.50%	8.50%
Growth (compound average)	3.00%	3.34%	3.22%	1.71%
Initial capitalisation rate	9.50%	10.50%	8.75%	8.50%

Land associated with retail facilities within terminal buildings	International terminal retail	Domestic terminal retail
Discount rate	15.00%	12.50%
Terminal yield	10.25%	10.00%
Growth (compound average):		
- Retail	3.70%	2.68%
- Duty free	2.88%	-
- Foreign exchange	2.57%	2.57%
Initial capitalisation rate	10.25%	10.00%

Lessor's interest in land and land associated with commercial property	
Contract capitalisation rate - average	7.72%
Market capitalisation rate - average	8.06%
Occupancy	96.31%
Weighted average lease term (years)	6.47
Number of buildings and land parcels	24

Buildings and services

All specialised building assets are valued based on information developed from direct survey and condition assessment of each building. Unit costs have been derived from Opus International Consultants Limited cost library and actual recent construction cost information. Unit costs are based on the most recent information provided either by similar projects or available in the industry.

Reclaimed land, seawalls, infrastructure assets and runways, taxiways and aprons

Replacement costs are calculated by applying unit cost rates to the identified quantity of assets, with allowance for other costs such as site establishment, professional fees and financial charges.

The unit costs were derived using construction cost information from a variety of sources. These included the following:

- Recent local competitively tendered construction works.
- Published cost information.
- Cost rates derived from recent reconstruction of runway, taxiway and apron assets.
- Opus' database of costing information and experience of typical industry rates.
- Indexed historical cost information.

The financial charge component of optimised depreciated replacement cost values are represented by the assumed debt servicing cost and has been calculated using the following assumptions:

- Interest rate for debt is 7.00 percent.
- Debt / (Debt plus Equity) of 36.60 percent

The fair value of property, plant and equipment valued by each independent registered valuer as at 30 June 2011 is outlined below:

	GROUP AND PARENT					
	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Colliers International Limited	1,675,013	-	-	-	-	1,675,013
Seagar and Partners Limited	80,531	-	-	-	-	80,531
Opus International Consultants Limited	153,803	508,816	273,466	275,529	-	1,211,614
Property, plant and equipment carried at cost	-	9,509	6,560	31,612	20,581	68,262
Balances as at 30 June 2011	1,909,347	518,325	280,026	307,141	20,581	3,035,420

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

	GROUP AND PARENT	
	2013 $000	2012 $000
Land		
Cost	132,801	132,467
Accumulated depreciation	-	-
Net carrying amount	132,801	132,467
Buildings and services		
Cost	773,666	751,581
Accumulated depreciation	(411,388)	(383,544)
Net carrying amount	362,279	368,037
Infrastructure		
Cost	241,189	237,227
Accumulated depreciation	(92,749)	(85,398)
Net carrying amount	148,440	151,829
Runway, taxiways and aprons		
Cost	320,870	302,657
Accumulated depreciation and impairment	(155,322)	(146,141)
Net carrying amount	165,548	156,516

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

12. Investment properties

	GROUP AND PARENT	
	2013 $000	2012 $000
Balance at the beginning of the year	579,783	546,232
Additions - subsequent expenditure	765	2,561
Additions - acquisitions or development	35,450	29,102
Transfers from/(to) property, plant and equipment (note 11)	(3,187)	539
Change to net revaluations	23,091	1,350
Balance at end of year	635,902	579,783

Additions for the year ended 30 June 2013 include capitalised interest of $0.640 million (2012: $0.765 million).

Investment property is measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent registered valuers. The valuations as at 30 June 2013 were performed by Savills Limited, Colliers International Limited, and CB Richard Ellis Limited. The valuations as at 30 June 2012 were performed by Seagar & Partners (Auckland) Limited, Colliers International Limited, CB Richard Ellis Limited and Jones Lang Lasalle Limited. The investment properties assigned to valuers were rotated across the portfolio at 30 June 2013. All valuers are registered valuers and industry specialists in valuing these types of investment properties.

The impact of the valuation as at 30 June 2013 and 30 June 2012 has been included in the financial statements by increasing the carrying value of investment properties in the statement of financial position and recognising a revaluation gain in the income statement.

The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discounted cash flow approach.

The valuation methodologies are consistent with the prior year. The principal assumptions used in establishing the valuations were as follows:

	GROUP AND PARENT 2013	GROUP AND PARENT 2012
Contract capitalisation rate - average	7.69%	8.09%
Market capitalisation rate - average	7.92%	8.25%
Occupancy	95%	98%
Weighted average lease term (years)	4.26	4.61
Number of buildings and land parcels	128	132

	GROUP AND PARENT 2013 $000	GROUP AND PARENT 2012 $000
Rental income for investment properties	30,050	28,013
Recoverable cost income	3,472	3,489
Direct operating expenses for investment properties that derived rental income	(4,161)	(5,230)
Direct operating expenses for investment properties that did not derive rental income	(388)	(381)

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

	GROUP AND PARENT 2013 $000	GROUP AND PARENT 2012 $000
Seagar & Partners (Auckland) Limited	-	149,666
Colliers International Limited	235,298	162,847
CB Richard Ellis Limited	207,474	242,017
Savills Limited	178,477	-
Jones Lang LaSalle	-	18,018
Investment property carried at cost	14,653	7,235
Total fair value of investment properties	635,902	579,783

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

13. Cash and cash equivalents

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Short-term deposits	67,700	40,675	67,700	40,675
Cash and bank balances	1,453	2,167	1,453	2,167
	69,153	42,842	69,153	42,842

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

During the year surplus funds were deposited on the overnight money market and term deposit at a rate of between 2.50 percent to 4.06 percent (2012: at a rate of 2.50 percent to 3.78 percent).

14. Accounts receivable

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Trade receivables	4,358	3,408	4,358	3,408
Less: Provision for doubtful debts	(370)	(370)	(370)	(370)
Net trade receivables	3,988	3,038	3,988	3,038
Revenue accruals and other receivables	17,701	14,626	17,700	14,626
	21,689	17,664	21,688	17,664

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Doubtful debts of $0.370 million (2012: $0.370 million) have been recognised by the group at year end. These amounts have been included in other expense in the income statement. No individual amount within the provision for doubtful debts is material.

Movements in the provision for impairment loss were as follows:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
At 1 July	370	635	370	635
Change in provision for the year	8	(263)	8	(263)
Amounts written off	(8)	(2)	(8)	(2)
At 30 June	370	370	370	370

15. Issued and paid-up capital

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Opening issued and paid-up capital at 1 July	348,846	338,386	349,055	338,917
Shares fully paid and allocated to employees by employee share scheme	2	322	-	-
Shares issued to employee share scheme	-	-	446	-
Shares issued under the dividend reinvestment plan	-	10,721	-	10,721
Shares purchased through an on-market share buy-back	-	(583)	-	(583)
Closing issued and paid-up capital at 30 June	348,848	348,846	349,501	349,055

	GROUP 2013 Shares	GROUP 2012 Shares	PARENT 2013 Shares	PARENT 2012 Shares
Opening number of shares issued at 1 July	1,322,370,745	1,322,158,245	1,322,564,489	1,322,564,489
Shares fully paid and allocated to employees by employee share scheme	900	212,500	-	-
Shares issued to employee share scheme	-	-	189,600	-
Shares issued under the dividend reinvestment plan	-	4,665,700	-	4,665,700
Shares purchased through an on-market share buy-back	-	(4,665,700)	-	(4,665,700)
Closing number of shares issued at 30 June	1,322,371,645	1,322,370,745	1,322,754,089	1,322,564,489

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

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

Shares forfeited by employees participating in the Employee Share Purchase Plan become shares held by the Employee Share Purchase Plan. Shares allocated to employees participating in the Employee Share Purchase Plan are no longer shares held by the Employee Share Purchase Plan. As a member of the group the shares held by the Employee Share Purchase Plan are eliminated from the group's issued and paid-up capital. At 30 June 2013 the number of shares held by the Employee Share Purchase Plan was 382,444 (2012: 193,744).

Auckland Airport has in prior periods operated a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. Auckland Airport considers whether the plan will apply to a dividend at each dividend announcement but does not intend to apply the plan in the short term. In the year ended 30 June 2013 no shares were issued in lieu of a cash dividend (30 June 2012: 4,665,700 shares with a total value of $10.721 million).

On 12 October 2011 the company announced it would undertake an on-market buy-back of its ordinary shares. The purpose of the share buy-back was to eliminate the dilutionary impact of shares issued pursuant to the dividend reinvestment plan for the dividend of 4.70 cents per ordinary share payable on 21 October 2011. During the period to 30 June 2012 the company completed the share buy-back and purchased a total of 4,665,700 ordinary shares, matching exactly the shares issued under the dividend reinvestment plan, at a total cost of $10.883 million. All of the shares acquired under the buy-back have been cancelled. The total buy-back cost of $10.883 million was applied against issued and paid-up capital for $0.583 million, representing the estimated share capital attributable to the shares purchased, and the balance of $10.300 million was applied against the cancelled share reserve.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

16. Retained earnings and reserves

a / Movements in retained earnings were:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at 1 July	181,957	158,407	192,531	168,282
Profit after taxation	177,967	142,284	183,581	143,000
Ordinary dividends paid (refer note 9)	(156,714)	(120,348)	(156,735)	(120,365)
Reclassification from revaluation reserve	433	1,614	433	1,614
Balance at 30 June	203,643	181,957	219,810	192,531

b / Reserves

(i) Cancelled share reserve	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at 1 July	(171,604)	(161,304)	(171,604)	(161,304)
Shares cancelled after on-market share buy-back	-	(10,300)	-	(10,300)
Balance at 30 June	(171,604)	(171,604)	(171,604)	(171,604)

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

(ii) Property, plant and equipment revaluation reserve	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at 1 July	2,148,589	2,149,731	2,148,589	2,149,731
Reclassification to retained earnings	(433)	(1,614)	(433)	(1,614)
Movement in deferred tax	(465)	472	(465)	472
Balance at 30 June	2,147,691	2,148,589	2,147,691	2,148,589

(iii) Share-based payments reserve	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at the beginning and end of the year	913	913	913	913

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

(iv) Cash flow hedge reserve	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at 1 July	(26,614)	(20,674)	(26,614)	(20,674)
Fair value change in hedging instrument	3,187	(19,716)	3,187	(19,716)
Transfer to income statement	8,764	11,466	8,764	11,466
Movement in deferred tax	(3,346)	2,310	(3,346)	2,310
Balance at 30 June	(18,009)	(26,614)	(18,009)	(26,614)

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.

(v) Share of reserves of associates

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at 1 July	(11,351)	(1,683)	-	-
Share of reserves of associates	841	(9,668)	-	-
Balance at 30 June	(10,510)	(11,351)	-	-

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

(vi) Foreign currency translation reserve

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at 1 July	2,031	3,755	-	-
Fair value change in hedging instrument	7,009	680	-	-
Foreign currency translation	(10,505)	(2,404)	-	-
Balance at 30 June	(1,465)	2,031	-	-

17. Accounts payable and accruals

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Employee entitlements	2,929	2,778	2,929	2,778
Phantom option plan accrual (refer note 26)	5,856	3,000	5,856	3,000
GST payable	2,958	3,172	2,958	3,172
Property, plant and equipment retentions and payables	11,178	11,822	11,178	11,822
Investment property retentions and payables	8,545	5,343	8,545	5,343
Trade payables	3,878	947	3,878	947
Interest payable	11,572	11,884	11,572	11,884
Other payables and accruals	15,233	15,493	15,147	15,493
Total accounts payable and accruals	62,149	54,439	62,063	54,439

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Amounts owing to the related parties at 30 June 2013 are $0.144 million (2012: $0.269 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

18. Borrowings

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

			GROUP		PARENT	
	Maturity	Coupon	2013 $000	2012 $000	2013 $000	2012 $000
Current						
Commercial paper	< 3 months	Floating	81,709	81,800	81,709	81,800
Bonds	7/11/2012	7.19%	-	50,000	-	50,000
Bonds	28/2/2014	7.25%	50,000	-	50,000	-
Bank facility	10/3/2013	Floating	-	50,000	-	50,000
Total short-term borrowings			131,709	181,800	131,709	181,800
Non-current						
Bank facility	31/1/2015	Floating	47,270	51,053	47,270	51,053
Bank facility	10/3/2016	Floating	125,000	125,000	125,000	125,000
Bank facility	14/9/2017	Floating	47,270	-	47,270	-
Bonds	28/2/2014	7.25%	-	50,000	-	50,000
Bonds	27/11/2014	7.00%	126,918	128,447	126,918	128,447
Bonds	7/11/2015	7.25%	100,000	100,000	100,000	100,000
Bonds	10/8/2016	8.00%	26,614	27,522	26,614	27,522
Bonds	15/11/2016	8.00%	129,992	129,992	129,992	129,992
Bonds	17/10/2017	5.47%	100,950	102,409	100,950	102,409
Bonds	13/12/2019	4.73%	100,000	-	100,000	-
USPP notes	15/2/2021	4.42%	68,438	69,975	68,438	69,975
USPP notes	12/7/2021	4.67%	69,119	70,997	69,119	70,997
USPP notes	15/2/2023	4.57%	68,665	71,535	68,665	71,535
Total term borrowings			1,010,236	926,930	1,010,236	926,930
Total						
Commercial paper			81,709	81,800	81,709	81,800
Bank facilities			219,540	226,053	219,540	226,053
Bonds			634,474	588,370	634,474	588,370
USPP notes			206,222	212,507	206,222	212,507
Total borrowings			1,141,945	1,108,730	1,141,945	1,108,730
Summary of maturities						
Due less than 1 year			131,709	181,800	131,709	181,800
Due 1 to 3 years			346,458	354,500	346,458	354,500
Due 3 to 5 years			256,606	257,514	256,606	257,514
Due greater than 5 years			407,172	314,916	407,172	314,916
			1,141,945	1,108,730	1,141,945	1,108,730

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

Bank facilities

				GROUP AND PARENT					
				2013			2012		
Type	Bank	Maturity	Facility currency	Available NZ$000	Drawn NZ$000	Undrawn NZ$000	Available NZ$000	Drawn NZ$000	Undrawn NZ$000
Cash Advances facility	Syndicate of banks	10/3/2013	NZD	-	-	-	100,000	50,000	50,000
Dual Tranche - Facility A	Commonwealth Bank of Australia	31/1/2015	NZD	135,000	-	135,000	135,000	-	135,000
Dual Tranche - Facility B	Commonwealth Bank of Australia	31/1/2015	AUD	47,270	47,270	-	51,053	51,053	-
Standby facility	Bank of Tokyo-Mitsubishi UFJ	10/3/2016	NZD	150,000	125,000	25,000	150,000	125,000	25,000
Multi-currency facility	Bank of New Zealand	14/9/2017	NZD & AUD	80,000	47,270	32,730	-	-	-
			Total NZD equivalent	412,270	219,540	192,730	436,053	226,053	210,000

In March 2008, the company established a cash advances facility agreement with a syndicate of banks for $350 million. The company repaid and cancelled the remaining five-year tranche of $100 million revolving facility in December 2012.

In October 2011, the company established a dual tranche multi-currency bank facility provided by Commonwealth Bank of Australia with a maturity date of 31 January 2015, comprising a NZ$135 million facility (Facility A) and a AU$40 million facility (Facility B). The drawn AU$40 Million Facility B is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports.

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

In September 2012, the company established a multi-currency bank facility (NZ$ and AU$) provided by Bank of New Zealand for NZ$80 million equivalent with a maturity date of 14 September 2017. The drawn AU$40 million is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports.

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

The rates on NZ$ bank facilities during the year (excluding any hedging) were between 3.07 percent and 3.62 percent (2012: 2.95 percent and 4.12 percent) and at year end the rates were between 3.09 percent and 3.11 percent (2012: 3.08 percent and 3.62 percent). The rates on AU$ bank facilities during the year (excluding any hedging) were between 4.19 percent and 5.45 percent (2012: 4.82 percent and 5.45 percent) and at year end the rates were between 4.19 percent and 4.28 percent (2012: 5.45 percent).

Term bonds

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

In November 2012 the $50 million 7.19 percent fixed rate bonds matured and were repaid.

In October 2011, the company raised $100 million through a public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 5.47 percent with a maturity of 17 October 2017.

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

US private placement notes

In December 2010, the company issued a total of US$150 million in the USPP market made up of three tranches of US$50 million each. The tranches are a 4.42 percent coupon 10 year note and a 4.57 percent coupon 12 year note which were drawn in February 2011 as well as a 4.67 percent coupon 10 year note subsequently drawn in July 2011. Three cross currency interest rate swaps were also entered into at the same time to swap the US$ principal and fixed coupon obligations to NZ$ floating interest rates (3 month BKBM plus 2.05 percent, 2.143 percent and 2.328 percent respectively). These facilities are recorded on the balance sheet at their fair value including translation to NZ$ at the spot rate as at 30 June 2013.

Commercial paper

Commercial paper rates are set through a tender process and during the year ended 30 June 2013 the range of weighted average interest rates for each issue has been between 2.87 percent and 3.03 percent (2012: 2.88 percent and 3.15 percent) and at year end the rates were between 2.97 percent and 3.01 percent (2012: 2.89 percent and 2.99 percent).

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Profit after taxation	177,967	142,284	183,581	143,000
Non-cash items:				
Depreciation	62,053	64,483	62,053	64,483
Bad debts and doubtful debts	8	(263)	8	(263)
Provision for loan write-off	-	775	-	775
Deferred taxation expense	(2,898)	(3,084)	(3,424)	(3,560)
Equity accounted earnings from associates	(9,921)	(9,240)	-	-
Investment property fair value decrease/(increase)	(23,091)	(1,350)	(23,091)	(1,350)
Derivative fair value decrease/(increase)	(1,473)	2,148	(1,473)	2,148
Intercompany interest	-	-	(13,713)	(14,276)
Items not classified as operating activities:				
(Gain)/loss on asset disposals	-	(79)	-	(79)
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	(773)	(3,223)	(773)	(3,223)
(Increase)/decrease in investment property retentions and payables	(3,202)	4,815	(3,202)	4,815
Movement in working capital:				
(Increase)/decrease in current assets	(3,883)	2,668	(3,882)	2,668
(Increase)/decrease in taxation payable	4,213	(4,117)	9,890	(334)
Increase/(decrease) in accounts payable	8,771	915	1,710	2,167
Increase/(decrease) in other term liabilities	45	(7)	45	(7)
Net cash flow from operating activities	207,816	196,725	207,729	196,964

20. Financial instruments

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

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

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

20. Financial instruments CONTINUED

	GROUP				
	Loans and Receivables $000	Financial Liabilities at Amortised Cost $000	Designated hedge relationship $000	Fair Value through profit and loss – held for trading $000	Total $000
30 June 2012					
Current assets					
Bank	42,842	-	-	-	42,842
Accounts receivable	17,664	-	-	-	17,664
Dividend receivable	3,290	-	-	-	3,290
Derivative financial instruments	-	-	54	-	54
	63,796	-	54	-	63,850
Non-current assets					
Derivative financial instruments	-	-	23,203	1,461	24,664
Intercompany loan	-	-	-	-	-
	-	-	23,203	1,461	24,664
Total financial assets	63,796	-	23,257	1,461	88,514
Current liabilities					
Accounts payable	-	54,439	-	-	54,439
Derivative financial instruments	-	-	1,339	-	1,339
Short-term borrowings	-	181,800	-	-	181,800
Provisions	-	525	-	-	525
	-	236,764	1,339	-	238,103
Non-current liabilities					
Term borrowings	-	926,930	-	-	926,930
Derivative financial instruments	-	-	31,627	-	31,627
Other term liabilities	-	700	-	-	700
	-	927,630	31,627	-	959,257
Total financial liabilities	-	1,164,394	32,966	-	1,197,360

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

20. Financial instruments CONTINUED

	PARENT				
	Loans and Receivables $000	Financial Liabilities at Amortised Cost $000	Designated hedge relationship $000	Fair Value through profit and loss – held for trading $000	Total $000
30 June 2012					
Current assets					
Cash and cash equivalents	42,842	-	-	-	42,842
Accounts receivable	17,664	-	-	-	17,664
Derivative financial instruments	-	-	54	-	54
	60,506	-	54	-	60,560
Non-current assets					
Derivative financial instruments	-	-	23,203	1,461	24,664
Intercompany loan	166,651	-	-	-	166,651
	166,651	-	23,203	1,461	151,315
Total financial assets	227,157	-	23,257	1,461	211,875
Current liabilities					
Accounts payable	-	54,439	-	-	54,439
Derivative financial instruments	-	-	1,339	-	1,339
Short-term borrowings	-	181,800	-	-	181,800
Provisions	-	525	-	-	525
	-	236,764	1,339	-	238,103
Non-current liabilities					
Term borrowings	-	926,930	-	-	926,930
Derivative financial instruments	-	-	31,627	-	31,627
Other term liabilities	-	700	-	-	700
	-	927,630	31,627	-	959,257
Total financial liabilities	-	1,164,394	32,966	-	1,197,360

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

Fair value

The carrying value approximates the fair value of cash, accounts receivable, dividend receivable, other non-current assets, derivative financial instruments, accounts payable and accruals, provisions and other term liabilities. The carrying amount of the group's current and non-current borrowings issued at floating rates approximates their fair value. The fair value of the bonds is based on the quoted market prices for these instruments at balance date. The fair value of the USPP notes has been determined at balance date on a discounted cash flow basis using the USD Bloomberg Curve and applying discount factors to the future USD interest payment and principal payment cash flows.

	GROUP AND PARENT			
	2013		2012	
	Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Bonds	634,474	667,389	588,370	628,727
USPP notes	206,222	212,353	212,507	237,961

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

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

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

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

The group's derivative financial instruments (see note 21) are all level 2 financial instruments and the fair value of these instruments is determined by using valuation techniques. The fair value of interest rate swaps, cross-currency interest rate swaps, interest basis swaps and forward foreign currency contracts are calculated as the present value of the estimated future cash flows based on observable interest yield curves or foreign exchange market prices.

21. Financial risk management objectives and policies

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

a / Credit risk

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

Credit risk is managed by restricting the amount of cash and marketable securities which can be placed with any one institution which will be either the New Zealand Government or a New Zealand registered bank with an appropriate international credit rating. The company minimises its credit risk by spreading such exposures across a range of institutions.

The group's credit risk is also attributable to accounts receivable which principally comprise amounts due from airlines, tenants and licensees. The group has a policy that manages exposure to credit risk by way of requiring a performance bond for some customers whose credit rating or history indicates that this would be prudently required. The value of performance bonds for the group is $0.745 million (2012: $0.700 million). There are no significant concentrations of credit risk.

b / Liquidity risk

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

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2013, this facility headroom was $192.730 million (2012: $210.000 million). The group's policy also requires the spreading of debt maturities.

(i) Non-derivative financial liabilities

The following liquidity risk disclosures reflect all undiscounted repayments and interest resulting from recognised financial liabilities and financial assets as at 30 June 2013. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

21. Financial risk management objectives and policies CONTINUED

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

	GROUP				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2012					
Financial assets					
Cash	42,842	-	-	-	42,842
Accounts receivable	17,664	-	-	-	17,664
Dividend receivable	3,290	-	-	-	3,290
Total financial assets	63,796	-	-	-	63,796
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	55,664	-	-	-	55,664
Commercial paper	82,000	-	-	-	82,000
Bank facilities	50,000	51,053	125,000	-	226,053
Bonds	50,000	175,000	254,992	100,000	579,992
USPP notes	-	-	-	195,184	195,184
Interest payable	58,529	101,169	54,205	45,742	259,645
Total financial liabilities	296,193	327,222	434,197	340,926	1,398,538

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

	PARENT				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
As at 30 June 2012					
Financial assets					
Cash	42,842	-	-	-	42,842
Accounts receivable	17,664	-	-	-	17,664
Intercompany loans	-	-	-	166,651	166,651
Total financial assets	60,506	-	-	166,651	227,157
Financial Liabilities					
Accounts payable, accruals, provisions and other term liabilities	55,664	-	-	-	55,664
Commercial paper	82,000	-	-	-	82,000
Bank facilities	50,000	51,053	125,000	-	226,053
Bonds	50,000	175,000	254,992	100,000	579,992
USPP notes	-	-	-	195,184	195,184
Interest payable	58,529	101,169	54,205	45,742	259,645
Total financial liabilities	296,193	327,222	434,197	340,926	1,398,538

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

21. Financial risk management objectives and policies CONTINUED

(ii) Derivative financial liabilities

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

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

	GROUP AND PARENT				
	< 1 year $000	1 to 3 years $000	3 to 5 years $000	> 5 years $000	Total $000
As at 30 June 2012					
Current derivative assets – cash flow hedge	53	-	-	-	53
Non-current derivative assets – fair value hedge	3,189	4,829	1,763	44	9,825
Non-current derivative assets – cross currency hedges	(876)	(2,436)	(4,203)	32,022	24,507
Non-current derivative assets – interest basis swap	142	346	346	781	1,615
Current derivative liabilities – cash flow hedge	(1,354)	-	-	-	(1,354)
Non-current derivative liabilities – cash flow hedge	(6,641)	(13,752)	(9,886)	(3,942)	(34,221)
Total	(5,487)	(11,013)	(11,980)	28,905	425

c / Interest rate risk

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

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt 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 66 percent (2012: 66 percent) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The hedged forecast future interest payments are expected to occur at various dates between one month and ten years from 30 June 2013 (2012: one month and eleven years).

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Financial assets				
Cash	69,153	42,842	69,153	42,842
	69,153	42,842	69,153	42,842
Financial liabilities				
Bonds in fair value hedge	125,000	125,000	125,000	125,000
Bank facilities	47,270	50,000	47,270	50,000
Commercial paper	57,000	22,000	57,000	22,000
USPP notes	195,184	195,184	195,184	195,184
	424,454	392,184	424,454	392,184
Net exposure	355,301	349,342	355,301	349,342

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Increase in interest rates of one hundred basis points				
Effect on profit before taxation	(3,553)	(3,493)	(3,553)	(3,493)
Effect on equity before taxation	14,909	13,495	14,909	13,495
Decrease in interest rates of one hundred basis points				
Effect on profit before taxation	3,553	3,493	3,553	3,493
Effect on equity before taxation	(16,143)	(14,490)	(16,143)	(14,490)

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

- Effect on profit before tax and effect on retained earnings is based on net floating rate debt and funds on deposit as at 30 June 2013 of $355.302 million (2012: $349.342 million). An interest rate of plus and minus one hundred basis points has therefore been applied to this floating rate debt to demonstrate the sensitivity of interest rate risk.
- Effect on cash flow hedge reserve is the movement in valuation of derivatives in a cash flow hedge relationship as at 30 June due to increase and decrease in interest rates. All derivatives which are 100 percent effective as at 30 June 2013 are assumed to remain 100 percent effective until maturity, therefore any movement in these derivative valuations are taken to the cash flow hedge reserve.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

21. Financial risk management objectives and policies CONTINUED

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Current assets				
Interest rate swaps – cash flow hedges	18	54	18	54
Total	18	54	18	54
Non-current assets				
Cross-currency interest rate swaps	6,779	13,910	6,779	13,910
Interest rate swaps – fair value hedges	5,392	9,293	5,392	9,293
Interest rate swaps – cash flow hedges	1,944	-	1,944	-
Interest basis swaps	2,939	1,461	2,939	1,461
Total	17,054	24,664	17,054	24,664
Current liabilities				
Interest rate swaps– cash flow hedges	-	1,339	-	1,339
Total	-	1,339	-	1,339
Non-current liabilities				
Interest rate swaps– cash flow hedges	21,733	31,627	21,733	31,627
Total	21,733	31,627	21,733	31,627

Interest rate swaps

Cash flow hedges

At 30 June 2013, the company held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount (in NZD and AUD). The notional amount of the interest rate swaps in a cash flow hedge at 30 June 2013 is $422.270 million (2012: $361.053 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on bank facilities and commercial paper. The interest payment frequency on these borrowings is quarterly.

During the year the company entered into a one-year AUD interest rate swap with a notional value of AU$40.000 million with an effective date of 14 January 2013 and maturity date of 13 January 2014, which is used as a cash flow hedge against one of the AUD bank facilities.

During the year the company entered into four forward starting interest rate swaps with a notional value of $100.000 million with an effective date from 15 November 2016 to 15 January 2018, which are included in the fair value of derivatives above, but on which the company are not yet paying or receiving interest on.

During the year, the company assessed the cash flow hedges to be highly effective. No ineffectiveness has been required to be recognised in the income statement.

Fair value hedges

At 30 June 2013, the company held interest rate swaps and cross-currency interest rate swaps where it receives a fixed rate of interest and pays a variable rate on the notional amount. The notional amount of the interest rate swaps and cross-currency interest rate swaps at 30 June 2013 is $320.184 million (includes $195.184 million of cross currency interest rate swaps) (2012: $320.184 million, included $195.184 million of cross currency interest rate swaps). These interest rate swaps and cross-currency interest rate swaps are designated as fair value hedges and transform a series of known fixed debt interest cash flows to future variable debt interest cash flows so as to mitigate exposure to fair value changes in fixed interest bonds.

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Gains/(losses) on the fixed interest bonds	3,896	(3,738)	3,896	(3,738)
Gains/(losses) on the USPP notes	13,050	(24,399)	13,050	(24,399)
Gains/(losses) on the derivatives	(16,946)	28,137	(16,946)	28,137

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

Gains or losses on the basis swaps recognised in the income statement during the period were:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Gains/(losses) on the derivatives	1,473	(2,148)	1,473	(2,148)

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Increase of NZD/USD basis spread of 10 points				
Impact on profit before taxation	(1,375)	(1,539)	(1,375)	(1,539)
Decrease of NZD/USD basis spread of 10 points				
Impact on profit before taxation	1,375	1,539	1,375	1,539

d / Foreign currency risk

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

The group has two bank facilities which are drawn down in Australian dollars to a total of AU$80.000 million as a partial hedge of the net investment in North Queensland Airport operation (2012: AU$40.000 million).

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

21. Financial risk management objectives and policies CONTINUED

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. At 30 June 2013, had the New Zealand Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Increase in value of NZ Dollar of 10 percent				
Impact on profit before taxation	(42)	(55)	8,553	4,595
Impact on equity before taxation	(22,467)	(27,938)	(19,541)	(19,587)
Decrease in value of NZ Dollar of 10 percent				
Impact on profit before taxation	51	68	(10,453)	(5,617)
Impact on equity before taxation	27,459	33,097	23,884	22,890

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

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements. A movement of plus and minus 10 percent has therefore been applied to the exchange rates to demonstrate the sensitivity of foreign currency risk of the company's investment in foreign operations, debt and associated derivative financial instruments.
- The sensitivity was calculated by taking the spot rate as at balance date of 0.8462 (2012: 0.7835) for AUD and 0.7734 (2012: 0.8014) for USD and moving this spot rate by the reasonably possible movements of plus and minus 10 percent and then re-converting the foreign currency into NZD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the group.
- As at 30 June 2013 the AU$80.000 million (2012: AU$40.000 million) bank facility is not hedge accounted in the parent therefore all foreign exchange movements are taken to the income statement, and is in a net investment hedge at the group level therefore all movements are taken to the foreign currency translation reserve.
- The cross-currency interest rate swaps contract on the USD USPP notes in place as at 30 June 2013 are 100 percent effective as at 30 June 2013 and is assumed to remain 100 percent effective until maturity. The cross-currency interest rate swaps consist of a fair value hedge component and a cash flow hedge component. All movements on the fair value hedge component are taken to the income statement along with all movements of the hedged risk on the USPP notes. The cash flow hedge component movements are all taken to the cash flow hedge reserve.
- The net exposure at balance date is representative of what the group was and is expecting to be exposed to in the next twelve months from balance date.

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Current assets				
Interest rate swaps - cash flow hedges	18	54	18	54
Total	18	54	18	54
Non-current assets				
Cross-currency interest rate swaps	6,779	13,910	6,779	13,910
Total	6,779	13,910	6,779	13,910

Foreign currency translation risk of investment in North Queensland Airports

At 30 June 2013 AU$80.000 million (2012: AU$40.000 million) of bank facilities are drawn as a net investment hedge (at group level) of foreign currency translation risk of the investment in North Queensland Airport, therefore all foreign exchange revaluation movements on the bank facility and on the investment in North Queensland Airport are recognised in the foreign currency translation reserve. The AU$80.000 million bank facility is not hedge accounted in the parent, therefore all foreign exchange revaluation movements on the bank facility are recognised in the income statement.

Movements on the above mentioned derivative financial instruments during the period were:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Gains/(losses) taken to foreign currency translation reserve	7,009	1,724	-	-
Gains/(losses) taken to profit and loss	-	-	7,009	(1,053)

Cross-currency interest rate swaps and basis swaps

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

e / Capital risk management

The group's objective is to maintain a capital structure mix of shareholders' equity and debt that achieves a balance between ensuring the group can continue as a going concern and providing a capital structure that reduces the cost of capital to the group and maximises returns for shareholders.

The appropriate capital structure of the group is determined from consideration of capital structure theory, appropriate credit rating, comparison to peers, sources of finance, borrowing costs, general shareholder expectations, the ability to distribute surplus funds efficiently, future business strategies and the ability to withstand business shocks.

The group can maintain or adjust the capital structure by adjusting the level of dividends, changing the level of capital expenditure investment, issuing new shares or selling assets to reduce debt. The group monitors the capital structure on the basis of the gearing ratio and by considering the credit rating of the company.

The gearing ratio is calculated as borrowings divided by borrowings plus shareholders' equity. The gearing ratio as at 30 June 2013 is 31.0 percent (2012: 30.9 percent). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2013 is A- Positive Outlook (2012: A- Stable Outlook).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

22. Commitments

a / Property, plant and equipment

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for $17.600 million at balance date (2012: $1.978 million).

b / Investment property

The group had contractual obligations to suppliers to purchase or develop investment property for $14.815 million at balance date (2012: $11.639 million). The company has further contractual obligations to tenants to purchase or develop investment property for $21.607 million at balance date (2012: $3.100 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment property for $1.072 million at balance date (2012: $1.272 million).

c / Operating lease receivable – group as lessor

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

These non-cancellable leases have remaining terms of between one month and 28 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Within one year	155,169	141,639	155,169	141,639
After one year but no more than five years	297,767	357,483	297,767	357,483
After more than five years	75,750	103,781	75,750	103,781
Total minimum lease payments receivable	528,686	602,903	528,686	602,903

23. Contingent liabilities

Noise insulation

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

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

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

24. Provisions for noise mitigation

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

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

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Opening balance	525	1,232	525	1,232
Provisions made in the period	1,937	-	1,937	-
Unused amounts reversed in the period	(368)	-	(368)	-
Expenditure in the period	(152)	(707)	(152)	(707)
	1,942	525	1,942	525

25. Related party disclosures

a / Transactions with related parties

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

No guarantees have been given or received.

Auckland International Airport Marae Limited

For the year ended 30 June 2013, the Group has not made any additional allowance for impairment loss relating to amounts owed by related parties (2012: $0.775 million). For the year ended 30 June 2012, the Group has provided in full for the impairment of a $0.775 million loan to Auckland International Airport Marae Limited. Two of the Auckland International Airport Limited senior management team are on the Board of Auckland International Airport Marae Limited. In the year ended 30 June 2013 maintenance and occupancy costs of $0.046 million were incurred in relation to the Marae (2012: $0.021 million). In addition, the group provided accounting and other advisory services to the Marae during the year ended 30 June 2013. No fees were paid for these services.

No other expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

For the year ended 30 June 2013 the group agreed with Brick Bay Charitable Trust (which trades as Brick Bay Sculpture Trust) to purchase assets for $0.444m from that trust on an arms-length commercial basis without special privileges. Brick Bay Charitable Trust is a charitable trust and non-profit entity with revenue made by the trust used to assist New Zealand artists in meeting the expense of building outdoor art work. The trustees of the Brick Bay Charitable Trust are Richard Didsbury and his wife Christine Didsbury. Richard Didsbury is a director of Auckland International Airport Limited.

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

North Queensland Airports

North Queensland Airports is an associate entity of the group. During the year ended 30 June 2013 Auckland Airport received directors fees of $0.199 million (2012: $0.206 million) for the provision of two of Auckland Airport's senior management staff, who are each on one of the two Boards of directors of North Queensland Airports. These directors apply their airport industry knowledge and skills, supported by the expertise of the other senior management of Auckland Airport, to protect and grow the value of the investment.

The directors of North Queensland Airports declared dividends of AU$44.000 million throughout the year ended 30 June 2013 including a dividend of AU$12.300 million declared on 30 June 2013 (year ended 30 June 2012: AU$42.000 million). The group's share of the dividends are AU$10.801 million (NZ$13.180 million) (2012: AU$10.311 million, NZ$13.253 million). The dividend declared on 30 June 2013 was subsequently received on 6 August 2013.

Tainui Auckland Airport Hotel Limited Partnership

Tainui Auckland Airport Hotel Limited Partnership is an associate entity of the group. During the year ended 30 June 2013 the group received rental income of $0.805 million (2012: $0.794 million) and paid facilities hire fees of $0.029 million (2012: $0.037 million). Future minimum rentals receivable under the non-cancellable operating lease with the Tainui Auckland Airport Hotel Limited Partnership as at 30 June are $10.977 million (2012: $11.225 million). In addition to this two of Tainui Auckland Airport's senior management staff are directors on the Board of the Auckland Airport Hotel Limited Partnership. No director's 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

25. Related party disclosures CONTINUED

The directors of Tainui Auckland Airport Hotel Limited Partnership declared a repayment of partner contribution of $2.400 million in the year ended 30 June 2013 (2012: $2.600 million). The group's share of the partner contribution is $0.480 million (2012: $0.520 million) and the amount receivable at year end was nil (2012: nil).

Queenstown Airport

Queenstown Airport is an associate entity of the group. During the year ended 30 June 2013 the group received no remuneration for services provided by Auckland Airport to Queenstown Airport (2012: $0.022 million).

The directors of Queenstown Airport declared dividends of $3.587 million in the year ended 30 June 2013 (year ended 30 June 2012: $4.288 million). The group's share of the dividend is $0.896 million (2012: $1.072 million) and the amount receivable at year end was nil (2012: nil).

Auckland Council

Auckland Council's shareholding of Auckland Airport exceeds 20 percent and as such accounting standard NZ IAS 24 requires the transactions with Auckland Council to be treated as related party transactions for the year ended 30 June 2013. Rates of $7.190 million (2012: $6.731 million) and compliance, consent costs and other local government regulatory obligations of $0.646 million (2012: $0.600 million) were incurred for the year ended 30 June 2013. Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council. In the year ended 30 June 2013 grounds maintenance costs of $1.873 million (2012: $1.505 million) were incurred. Auckland Airport also receives water, waste water and compliance services from Watercare a 100% subsidiary of Auckland Council. In the year ended 30 June 2013 Watercare costs of $1.998 million (2012: $1.819 million) were incurred.

Further, on 28 October 2010 Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agrees to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for consideration of $4.092 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels. The same agreement also rationalised the road network within the airport with some roads to be transferred between the parties and some roads to be acquired by Auckland Airport for $3.109 million. These transactions are not complete as at 30 June 2013 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

b / Loans to related parties

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

Auckland International Airport Marae Limited

During the year ended 30 June 2012 the group provided in full for the impairment of a $0.775 million loan outstanding as at 30 June 2012. No further loans or provisions were provided in the year ended 30 June 2013.

c / Key personnel compensation

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Directors' fees	1,122	998	1,122	998
Senior management's salary and other short-term benefits	4,519	4,201	4,519	4,201
Senior management's share-based payment expense (refer note 26)	4,956	512	4,956	512
Total key personnel compensation	10,597	5,711	10,597	5,711

26. Share-based payment plans

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Expense from cash-settled share-based payments (phantom option plan)	4,956	690	4,956	690
Total expense from share-based payment transactions	4,956	690	4,956	690

a / Employee share purchase plan

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

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

The most recent issue was made on 21 November 2012. The company advanced to the purchase plan all the monies necessary to purchase the shares under the purchase plan. The advances are repayable by way of deduction from the employee's regular remuneration. The terms of such loans are determined by the company. The amount payable by the purchase plan to the company at 30 June 2013 is $0.331 million (2012: payable by the company to the purchase plan $0.005 million). These advances are interest free.

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

The purchase plan's trustees as at 30 June 2013 are Sam Hansen, the company's manager - finance, Olivia Poulsen, the company's legal counsel and Barbara Lucas, the company's payroll manager. The trustees are appointed and can be removed by the directors.

The following ordinary shares were allocated to employees under the purchase plan:

	2013 Shares	2012 Shares
Employee allocation - May 2009		
Opening balance	-	229,000
Shares fully paid and allocated during the year	-	(212,500)
Shares forfeited during the year	-	(16,500)
Balance at end of year	-	-

Shares were issued at a price of $1.515, on 21 May 2009, being a 10 percent discount on the average market selling price over the 10 trading days ending on 14 April 2009.

	2013 Shares	2012 Shares
Employee allocation - October 2012		
Opening balance	-	-
Shares issued during the year	189,600	-
Shares fully paid and allocated during the year	(900)	-
Shares forfeited during the year	(6,800)	-
Balance at end of year	181,900	-

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

26. Share-based payment plans CONTINUED

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

	2013 Shares	2012 Shares
Unallocated shares held by the plan		
Balance of unallocated shares from November 1999 share allocation	91,584	91,584
Balance of unallocated shares from May 2004 share allocation	54,560	54,560
Balance of unallocated shares from May 2009 share allocation	47,600	47,600
Balance of unallocated shares from October 2012 share allocation	6,800	-
Total unallocated shares held by the plan	200,544	193,744
Total ordinary shares held at 30 June	382,444	193,744

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

Shares held by the purchase plan represent 0.0289 percent (2012: 0.0146 percent) of the total company's shares on issue.

b / Phantom option plan

To align leadership remuneration to the interests of shareholders, the directors adopted a Phantom Option Plan ("phantom plan") approach for each calendar year from 2005 to 2012.

The phantom plans for the calendar years 2005 to 2008 have two components. One component involves the notional allocation of shares at the market value prevailing at the time of issue. The value of the shares is paid to the executive after three years qualifying service at the market rate prevailing at that time, less the appropriate tax. Ordinary dividends are not taken into account. The second component involves the notional allocation of options at prevailing market rates. The deemed exercise price is increased by the company's cost of equity each year, less dividends paid. Any benefit above the exercise price is payable in cash, less tax, three to six years after allocation.

The phantom plans for the calendar years 2009 to 2012 involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options are three years from the date of issue. Once the phantom options become exercisable the phantom options remain exercisable for the next two years, subject to a total shareholder return hurdle being met. The total shareholder return hurdle requires shareholder returns to be greater than the compound independent calculation of the annual cost of equity plus 1 percent. If the vesting period and hurdle have been met then the executive may exercise some or all of their options. The after tax benefit payable is the volume weighted average price of the shares over the previous 20 trading days less the initial share price for those phantom options on the day the phantom options were issued.

The current chief executive, Mr Adrian Littlewood, participated in each of the phantom option plans from 2009 to 2012 relating to his former role as general manager – retail and commercial. Mr Littlewood has not participated in any other phantom option plans.

The participation in the calendar 2012 plan, as part of Mr Littlewood's remuneration package, included options applicable to Mr Littlewood's commencement as chief executive with Auckland Airport on 5 November 2012. The issue price for this calendar 2012 phantom option plan was $2.60 as at 31 August 2012. 1,577,311 phantom options were issued to Mr Littlewood under the 2012 plan.

Under further historical option plans, the former chief executive, Mr Simon Moutter, was granted phantom options effective on 4 August 2008 and 25 August 2010. The remaining phantom options as at 30 June 2013, applicable to Mr Moutter, are two tranches of one million phantom options issued on 4 August 2008. All other options applicable to Mr Moutter were forfeited on his departure from the company. These remaining options may not be exercised unless total shareholder returns are equal to or greater than a compound pre-tax rate of 12 percent per annum for at least 20 consecutive trading days. The first tranche of remaining options expires on 4 August 2013 and the last tranche of options expires on 4 August 2014. If exercisable, the cash amount payable under these phantom options for Mr Moutter is the closing share price of the shares immediately preceding the exercise date less the initial share price for these phantom options, being $2.20. Mr Moutter did not participate in any other phantom option plan.

As at 30 June 2013 the estimate of the fair value of the cash-settled phantom plans for all the participating executives is $5.856 million (2012: $3.000 million).

An expense of $4.956 million (2012: $0.690 million) relating to the change in fair value or cash payments has been included in staff expenses in the income statement. Cash payments under the phantom plan were $2.100 million during the year ended 30 June 2013 (2012: $0.290 million).

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

The following table lists the key inputs to the Black-Scholes methodology used for the years ended 30 June 2013 and 30 June 2012:

	Assumptions 2013	Assumptions 2012
Expected volatility (%)	17.70%	15.84%
Risk-free interest rate (%)	2.88%	2.70%
Share price at measurement date ($)	$2.97	$2.44

Phantom options
As at 30 June 2013

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

As at 30 June 2012

Issue date	Date exercisable	Expiry date	Number granted	Number lapsed	Number exercised	Number at 30 June 2012	Number exercisable at 30 June 2012	Share price to meet hurdle rate at 30 June 2012
26/8/2005	26/8/2008	26/8/2011	3,699,869	3,699,869	-	-	-	N/A
26/8/2006	26/8/2009	26/8/2012	2,593,825	1,698,303	-	895,522	-	$3.09
24/8/2007	24/8/2010	24/8/2013	1,592,928	911,747	-	681,181	-	$4.62
4/8/2008	4/8/2011	4/8/2013	1,000,000	-	-	1,000,000	-	$2.95
4/8/2008	4/8/2012	4/8/2014	1,000,000	-	-	1,000,000	-	$2.95
4/8/2008	4/8/2013	4/8/2015	1,000,000	-	-	1,000,000	-	$2.95
22/8/2008	22/8/2011	22/8/2014	3,247,079	1,417,438	-	1,829,641	-	$2.63
31/8/2009	31/8/2012	31/8/2014	2,630,752	476,660	-	2,154,092	-	$2.01
25/8/2010	25/8/2013	25/8/2015	666,000	-	-	666,000	-	$2.34
25/8/2010	25/8/2014	25/8/2016	666,000	-	-	666,000	-	$2.34
25/8/2010	25/8/2015	25/8/2017	668,000	-	-	668,000	-	$2.34
27/8/2010	27/8/2013	27/8/2015	2,628,381	390,791	-	2,237,590	-	$2.20
24/8/2011	24/8/2014	24/8/2016	3,031,956	-	-	3,031,956	-	$2.38
			24,424,790	8,594,808	-	15,829,982	-	

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

26. Share-based payment plans CONTINUED

Phantom Shares

The last of the phantom shares were settled in the year ended 30 June 2012.

As at 30 June 2012

Issue date	Settlement date	Number granted	Number lapsed	Number settled	Number at 30 June 2012
22/8/2008	22/8/2011	232,838	101,640	131,198	-

27. Events subsequent to balance date

On 21 August 2013, the directors approved the payment of a fully imputed final dividend of 6.25 cents per share amounting to $82.672 million to be paid on 17 October 2013.

On 19 August 2013, the directors of Queenstown Airport declared a dividend of $2.640 million. The group's share of the dividend is $0.660 million.

Audit Report

Deloitte.

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

Report on the Financial Statements

We have audited the financial statements of Auckland International Airport Limited and group on pages 46 to 108, which comprise the consolidated and separate statements of financial position of Auckland International Airport Limited, as at 30 June 2013, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

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

Opinion

In our opinion, the financial statements on pages 46 to 108:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Auckland International Airport Limited and group as at 30 June 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2013:

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

Deloitte

Chartered Accountants
21 August 2013
Auckland, New Zealand

This audit report relates to the financial statements of Auckland International Airport Limited and group for the year ended 30 June 2013 included on Auckland International Airport Limited's website. Through management, the Board of Directors is responsible for the maintenance and integrity of Auckland International Airport Limited's website. We have not been engaged to report on the integrity of Auckland International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 29 August 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five year summary

FOR THE YEAR ENDED 30 JUNE 2013

Group income statement	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Income					
Airfield income	81,573	77,299	72,529	66,715	70,458
Passenger services charge	120,242	83,081	78,760	73,252	66,542
Terminal services charge	-	28,604	28,342	27,814	27,470
Retail income	124,308	120,863	111,150	95,817	105,316
Rental income	55,407	54,974	49,927	48,533	47,975
Rates recoveries	4,180	4,390	4,313	2,982	3,210
Car park income	40,370	36,620	33,437	31,057	29,377
Interest income	2,823	1,570	1,460	1,678	2,611
Other income	19,555	19,412	17,805	15,265	15,336
Total income	448,458	426,813	397,723	363,113	368,295
Expenses					
Staff	39,953	34,326	32,607	31,574	34,337
Asset management, maintenance and airport operations	39,607	36,717	32,854	30,948	30,158
Rates and insurance	9,707	9,082	7,829	7,035	6,845
Marketing and promotions	14,138	12,207	11,751	4,544	1,801
Professional services and levies	7,491	7,517	7,929	6,369	7,524
Other expenses	6,728	7,675	6,524	6,332	8,216
Total expenses	117,624	107,524	99,494	86,802	88,881
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	330,834	319,289	298,229	276,311	279,414
Share of profit of associates	9,921	9,240	4,755	890	949
Share of loss of associate	-	-	-	(792)	-
Gain on sale of associates	-	-	1,240	-	-
Derivative fair value change	1,473	(2,148)	3,503	-	-
Property, plant and equipment revaluation	-	-	(63,465)	-	-
Investment property fair value increases/(decreases)	23,091	1,350	21,640	9,469	(64,586)
Earnings before interest, taxation and depreciation (EBITDA)	365,319	327,731	265,902	285,878	215,777
Depreciation	62,053	64,483	56,843	55,736	54,766
Earnings before interest and taxation (EBIT)	303,266	263,248	209,059	230,142	161,011
Interest expense and other finance costs	66,689	68,958	70,417	71,938	75,590
Profit before taxation	236,577	194,290	138,642	158,204	85,421
Taxation expense	58,610	52,006	37,881	128,510	43,696
Profit after taxation	177,967	142,284	100,761	29,694	41,725

Group statement of comprehensive income	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Profit for the period	177,967	142,284	100,761	29,694	41,725
Other comprehensive income					
Items that will not be reclassified to income statement:					
Property, plant and equipment net revaluation movements	-	-	582,698	-	-
Tax on the property, plant and equipment revaluation reserve	(465)	472	(47,548)	7,862	625
Items that will not be reclassified to income statement	(465)	472	535,150	7,862	625
Items that may be reclassified subsequently to income statement:					
Cash flow hedges:					
Fair value gains/(losses) recognised in the cash flow hedge reserve	3,187	(19,716)	(16,198)	(15,323)	(30,230)
Realised (gains)/losses transferred to the income statement	8,764	11,466	13,733	20,812	(5,683)
Tax effect of movements in the cash flow hedge reserve	(3,346)	2,310	690	(2,172)	9,521
Total cash flow hedge movement	8,605	(5,940)	(1,775)	3,317	(26,392)
Movement in share based payments	-	-	7	11	-
Movement in share of reserves of associate	841	(9,668)	(481)	(1,202)	-
Movement in foreign currency translation reserve	(3,496)	(1,724)	6,102	(2,347)	-
Items that may be reclassified subsequently to income statement	5,950	(17,332)	3,853	(221)	(26,392)
Total other comprehensive income/(loss)	5,485	(16,860)	539,003	7,641	(25,767)
Total comprehensive income for the period, net of tax attributable to the owners of the parent	183,452	125,424	639,764	37,335	15,958

Group statement of changes in equity	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
At 1 July	2,472,767	2,467,531	1,913,634	1,841,147	1,896,633
Profit for the period	177,967	142,284	100,761	29,694	41,725
Other comprehensive income/(loss)	5,485	(16,860)	539,003	7,641	(25,767)
Total comprehensive income	183,452	125,424	639,764	37,335	15,958
Shares Issued	2	11,043	25,141	138,507	4,473
Share buy-back	-	(10,883)	-	-	-
Dividend Paid	(156,714)	(120,348)	(111,008)	(103,355)	(75,917)
At 30 June	2,499,507	2,472,767	2,467,531	1,913,634	1,841,147

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

Group balance sheet	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Non-current assets					
Property, plant and equipment					
Freehold land	1,912,139	1,908,808	1,909,347	1,498,579	1,499,232
Buildings and services	504,706	514,373	518,325	535,617	545,261
Infrastructure	273,222	279,894	280,026	226,528	227,548
Runways, taxiways and aprons	308,654	300,271	307,141	251,027	257,788
Vehicles, plant and equipment	21,527	18,519	20,581	21,113	17,780
	3,020,247	3,021,865	3,035,420	2,532,864	2,547,609
Investment properties	635,902	579,783	546,232	490,131	467,537
Investment in associate - HMSC-AIAL Ltd	-	-	-	-	5,892
Investment in associates	165,658	179,957	197,635	161,867	-
Derivative financial instruments	17,054	24,664	8,687	7,596	5,334
Other non-current assets	-	-	775	775	775
	3,838,861	3,806,269	3,788,749	3,193,233	3,027,147
Current assets					
Cash	69,153	42,842	46,146	36,052	34,320
Inventories	40	10	67	102	130
Prepayments	5,223	5,404	4,941	5,188	3,309
Accounts receivable	21,689	17,664	20,476	16,112	17,321
Dividend receivable	3,568	3,290	3,820	3,687	-
Taxation receivable	-	-	-	-	4,293
Held for sale investment in associate	-	-	-	6,782	-
Derivative financial instruments	18	54	2,011	902	1,683
	99,691	69,264	77,461	68,825	61,002
Total assets	3,938,552	3,875,533	3,866,210	3,262,058	3,088,149

Group balance sheet	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Shareholders' equity					
Issued and paid-up capital	348,848	348,846	338,386	313,245	174,738
Cancelled share reserve	(171,604)	(171,604)	(161,304)	(161,304)	(161,304)
Property, plant and equipment revaluation reserve	2,147,691	2,148,589	2,149,731	1,632,764	1,628,783
Share-based payments reserve	913	913	913	906	895
Cash flow hedge reserve	(18,009)	(26,614)	(20,674)	(18,899)	(22,216)
Share of reserves of associates	(10,510)	(11,351)	(1,683)	(1,202)	-
Foreign currency translation reserve	(1,465)	2,031	3,755	(2,347)	-
Retained earnings	203,643	181,957	158,407	150,471	220,251
	2,499,507	2,472,767	2,467,531	1,913,634	1,841,147
Non-current liabilities					
Term borrowings	1,010,236	926,930	652,640	885,218	803,707
Derivative financial instruments	21,733	31,627	41,146	25,802	29,279
Deferred tax liability	200,159	199,246	205,112	172,083	91,302
Other term liabilities	745	700	707	531	438
	1,232,873	1,158,503	899,605	1,083,634	924,726
Current liabilities					
Accounts payable	62,149	54,439	52,775	45,983	42,753
Taxation payable	10,372	6,160	10,277	8,709	-
Derivative financial instruments	-	1,339	2,784	2,751	5,020
Short-term borrowings	131,709	181,800	432,006	206,780	272,998
Provisions	1,942	525	1,232	567	1,505
	206,172	244,263	499,074	264,790	322,276
Total equity and liabilities	3,938,552	3,875,533	3,866,210	3,262,058	3,088,149

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2013

Statement of cash flows	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	441,868	428,523	393,563	363,097	363,501
Income tax refunded	-	-	-	3,233	11,621
Interest received	2,823	1,570	1,460	1,678	2,611
	444,691	430,093	395,023	368,008	377,733
Cash was applied to:					
Payments to suppliers and employees	(111,852)	(105,753)	(99,890)	(87,423)	(87,715)
Income tax paid	(57,296)	(59,207)	(50,142)	(32,329)	(44,304)
Other taxes paid	(264)	(255)	(289)	(248)	(344)
Interest paid	(67,463)	(68,153)	(69,761)	(71,752)	(75,292)
	(236,875)	(233,368)	(220,082)	(191,752)	(207,655)
Net cash flow from operating activities	207,816	196,725	174,941	176,256	170,078
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets	-	-	30	2	371
Proceeds from sale of investment in associate	-	-	8,022	-	-
Other investing activities	14,312	15,335	9,558	-	-
	14,312	15,335	17,610	2	371
Cash was applied to:					
Purchase of property, plant and equipment	(55,006)	(46,485)	(35,595)	(42,897)	(82,517)
Interest paid - capitalised	(2,248)	(1,822)	(1,197)	(2,102)	(3,889)
Expenditure on investment properties	(32,234)	(36,335)	(31,587)	(8,338)	(7,303)
Other investing activities	-	(1,027)	(31,511)	(170,797)	-
	(89,488)	(85,669)	(99,890)	(224,134)	(93,709)
Net cash applied to investing activities	(75,176)	(70,334)	(82,280)	(224,132)	(93,338)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	2	11,043	25,141	138,507	4,473
Increase in borrowings	175,383	552,493	128,300	348,456	746,955
	175,385	563,536	153,441	486,963	751,428
Cash was applied to:					
Share buy-back	-	(10,883)	-	-	-
Decrease in borrowings	(125,000)	(562,000)	(125,000)	(334,000)	(718,624)
Dividends paid	(156,714)	(120,348)	(111,008)	(103,355)	(75,917)
	(281,714)	(693,231)	(236,008)	(437,355)	(794,541)
Net cash flow (applied to)/from financing activities	(106,329)	(129,695)	(82,567)	49,608	(43,113)
Net increase/(decrease) in cash held	26,311	(3,304)	10,094	1,732	33,627
Opening cash brought forward	42,842	46,146	36,052	34,320	693
Ending cash carried forward	69,153	42,842	46,146	36,052	34,320

Capital expenditure	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Aeronautical	51.2	25.5	14.6	12.3	45.4
Retail	0.9	2.3	10.4	24.3	12.1
Property development	37.1	49.3	46.2	11.9	8.8
Infrastructure and other	3.1	3.1	3.0	5.4	9.5
Carparking	1.1	2.9	0.6	0.4	11.8
Total	93.5	83.1	74.8	54.3	87.6

Passenger, aircraft and MCTOW	2013	2012	2011	2010	2009
Passenger movements					
International	7,755,678	7,769,207	7,392,045	7,415,792	7,359,611
Domestic	6,760,537	6,236,915	6,040,265	6,032,410	5,598,077
Aircraft movements					
International	44,314	45,094	43,782	42,697	40,756
Domestic	110,832	110,421	110,508	112,274	116,032
MCTOW (tonnes)					
International	4,104,679	4,167,792	4,007,728	3,923,988	4,075,946
Domestic	1,824,689	1,733,819	1,682,824	1,746,912	1,774,079

Corporate governance

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

The comprehensive ASX Principles set out 8 fundamental principles of good corporate governance. The structure of this corporate governance section of the annual report reflects the company's compliance with those fundamental principles. This approach has been adopted to maximise the transparency of the company's corporate governance practices for the benefit of shareholders and other stakeholders. This is consistent with the approach taken in previous annual reports, and helps readers compare reports.

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

Principle 1: Lay solid foundations for management and oversight

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

The Board's primary governance roles are:

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

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

- Audit and financial risk;
- Human resources;
- Nominations; and
- Safety and operational risk.

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

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

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

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

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

The performance of all members of the senior management team was reviewed in the 2013 financial year in accordance with this process.

Principle 2: Structure the Board to add value

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

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

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

The directors as at the date of this annual report and the dates of their appointment are:

Joan Withers MBA, AFInstD*	(Chair)	29 October 1997
Keith Turner BE (Hons), ME, PhD, FIEE, Dist.FIPENZ, MInstD	(Deputy Chair)	21 April 2004
John Brabazon BCom, ACA, AFInstD, F FIN		20 November 2007
Richard Didsbury BE		20 November 2007
Brett Godfrey BCom, ACA		28 October 2010
Sir Henry van der Heyden KNZM, BE (Hons)		4 September 2009
James Miller BCom, FCA, AMInstD		4 September 2009
Justine Smyth BCom, CA		2 July 2012

* Mrs Withers has announced her intention to retire from the Board at the Company's 2013 annual meeting. Subject to his re-election, Sir Henry van der Heyden will replace Mrs Withers as chair of the Board following that meeting.

The chief executive is not a member of the Board.

A biography of each director of the company is set out on pages 22 and 23.

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

The table on page 119 shows a list of each director's Board committee memberships, the number of meetings of the Board and its committees held during the year, and the number of those meetings attended by each director.

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

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

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

The Board has established the nominations committee to focus on the selection of new directors, the induction of directors, and to develop a succession plan for Board members. The committee has a formal charter which can be found on the Company Website. The committee is required to comprise of a minimum of two independent non-executive directors and the chair of the committee is required to be an independent director. The current members are Keith Turner (chair), Richard Didsbury and Joan Withers. Each member is independent. The committee members' qualifications are set out on pages 22 and 23 and attendance at meetings on page 119.

The Board's policy is that the Board needs to have an appropriate mix of skills, experience and diversity (including gender diversity) to

Corporate governance CONTINUED

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

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

Since 1 July 2012, the Board has identified one new independent, non-executive director, Ms Michelle Guthrie, who the Board has nominated to stand for election to the Board at the 2013 annual meeting, filling the vacancy on the Board which will be created by Joan Wither's resignation at that meeting. Ms Guthrie is a seasoned media executive, with 13 years' experience in Asia focussed roles and expertise in the areas of digital marketing, business development, business acquisitions, law and governance. She is currently an executive at Google Asia Pacific, based in Singapore, and has considerable international board experience including currently sitting on the boards of Modern Times Group (Sweden) and Pacific Star Networks (Melbourne), and Plan International (Hong Kong).

In respect of Ms Guthrie's nomination, the Board undertook a formal selection process and engaged an executive recruitment firm to assist in this process. The Board established a set of criteria regarding the qualifications and experience required generally to serve on the board as well as a specific set of criteria the successful candidate should satisfy to ensure the Board maintained the appropriate mix of skills, experience and diversity. In establishing those criteria the Board undertook a skills gap analysis of the current Board and the needs of the company. The Board believes that Ms Guthrie provides a strong match to the skills identified by that analysis.

The Board unanimously recommends to shareholders the appointment of Ms Guthrie

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

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

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

Performance reviews were completed for all directors in the 2013 financial year in accordance with the above procedure.

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

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

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

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

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

Name	Status	Board					Audit and Financial Risk			Human Resources			Nominations			Safety and Operational Risk		
		Member	No of meetings	No of meetings attended	No of ad hoc meetings[1]	No of ad hoc meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended
Joan Withers	Independent non-executive	✓	9	9	9	8	✓	6	6	✓	5	5	✓	2	2	✓	–	–
Keith Turner	Independent non-executive	✓	9	9	7	6				✓	5	5	✓	2	2	✓	–	–
John Brabazon	Independent non-executive	✓	9	9	5	5	✓	6	5									
Richard Didsbury[2]	Independent non-executive	✓	9	9	7	7							✓	2	2	✓	–	–
Brett Godfrey	Independent non-executive	✓	9	8	3	3				✓	5	3				✓	–	–
Sir Henry van der Heyden	Independent non-executive	✓	9	9	5	5				✓	5	5	✓	2	2	✓	–	–
James Miller	Independent non-executive	✓	9	9	5	5	✓	6	6									
Justine Smyth	Independent non-executive	✓	9	9			✓	6	5									

1 Includes unscheduled Board meetings and meetings of ad hoc committees of the Board established for the purposes of due diligence associated with the Company's December 2012 bond issuance and consideration of Masterplanning and resource management issues.

2 The Safety and Operational Risk Committee was constituted in May 2013 and first met in August 2013, following the end of this financial year. Previously the functions of this committee were undertaken by the Audit and Risk Committee.

Principle 3: Promote ethical and responsible decision-making

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

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

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

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

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

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

The company's procedure for reporting and dealing with any concerns in respect of the conduct of its directors, employees and contractors fully complies with the requirements of the Protected Disclosures Act 2001.

Corporate governance CONTINUED

DIVERSITY

The company has adopted a diversity policy in support of the company's focus on providing a framework for an inclusive, equitable and commercially successful approach to encouraging diversity within the business. The company has reviewed extensive literature on the effectiveness of target or quota based diversity objectives and has elected to instead focus on adopting a broad approach to diversity which focuses on a company-wide commitment to increasing diversity within the workforce. A copy of the diversity policy can be found on the Company Website.

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

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

As at 30 June 2013, two of the eight members of the Board were women (no change from the previous financial year) and one of the seven members of the senior management team were women (one of eight in the previous financial year). In addition, the Board hosts one participant in the 'Future Directors' scheme who is a woman. Women made up 30 percent of all permanent employees across the company (down from 32.75 percent in the previous financial year).

Principle 4: Safeguard integrity in financial reporting

The audit and financial risk committee is responsible for financial risk management oversight. This committee's formal charter reflects this responsibility. The audit and financial risk committee's charter can be found on the Company Website. The audit and financial risk committee's charter was reviewed during the financial year. The committee provides general assistance to the Board in performing its responsibilities, with particular reference to financial risk management, financial reporting and audit functions. It includes specific responsibility to review the company's processes for identifying and managing financial risk; and financial reporting processes, system of internal control, and the internal and external audit process.

The committee must have a minimum of three members, all of whom must be non-executive directors, and the majority must be independent directors. The committee is chaired by an independent chair, who is not chair of the Board. The current members are James Miller (chair), John Brabazon, Justine Smyth, and Joan Withers, all of whom are independent non-executive directors. Their qualifications are set out on pages 22 and 23 and attendance at meetings on page 119.

The external auditors are invited to attend meetings when it is considered appropriate by the committee. The committee, at least once per year, meets with the auditors without any representatives of management present.

The audit and financial risk committee has adopted a policy in respect of the independence of the external auditor. This policy can be found on the Company Website. This policy places limitations on the extent of non-audit work which can be carried out by the external auditor, and requires the regular rotation of the partner of the external auditor responsible for the audit of the company every five years.

Principle 5: Make timely and balanced disclosure

The company is committed to promoting investor confidence by providing forthright, timely, accurate, complete and equal access to information in accordance with the NZSX and ASX Listing Rules. The company has a formal policy designed to ensure this occurs. That policy can be found on the Company Website.

The corporate secretary is the company's market disclosure officer, and is responsible for monitoring the company's business to ensure the compliance with its disclosure obligations. Managers reporting to the chief executive are required to provide the corporate secretary with all relevant information, to regularly confirm that they have done so, and made all reasonable enquiries to ensure this has been achieved.

The corporate secretary is responsible for releasing any relevant information to the market once that has been approved. Financial information release is approved by the audit and financial risk committee, while information release on other matters is approved by the chair of the Board and the chief executive.

Directors formally consider at each Board meeting whether there is relevant material information which should be disclosed to the market.

Principle 6: Respect the rights of shareholders

The company's communications framework and strategy is designed to ensure that communications with shareholders and all other stakeholders are managed efficiently. This strategy forms part of the disclosure and communications policy referred to under Principle 5 which can be found on the Company Website. It is the company's policy that external communications will be accurate, verifiable, consistent and transparent.

The chief executive and chief financial officer are appointed as the points of contact for analysts. The chair, chief executive and general manager corporate affairs are appointed as the points of contact for media.

The company currently keeps shareholders informed through:

- the annual report;
- the interim report;
- the annual meeting of shareholders;
- information provided to analysts during regular briefings;
- disclosure to the NZX and ASX in accordance with the company's disclosure and communications policy; and
- the corporate section of the Company Website.

The Board considers the annual report to be an essential opportunity for communicating with shareholders. The company publishes its annual and interim results and reports electronically on the Company Website. Investors may also request a hard copy of the Annual Report by contacting the company's share registrar, Link Market Services Limited. Contact details for the registrar appear at the end of this report.

The company's annual meetings are well-attended by shareholders, and the company considers the meetings to be a valuable element of its communications programme. The chair provides an opportunity for shareholders to raise questions for their Board, and to make comments about the company's operations and performance. The chair may ask the chief executive and any relevant manager of the company to assist in answering questions if required. The company's external auditors also attend the annual meeting, and are available to answer questions relating to the conduct of the external audit and the preparation and content of the auditor's report.

Principle 7: Recognise and manage risks

Risk management is an integral part of Auckland Airport's business. The company has systems to identify, and minimise, the impact of financial and operational risk on its business. These systems include a process to enable:

- significant risk identification;
- risk impact quantification;
- risk mitigation strategy development; and
- compliance monitoring to ensure the on-going integrity of the risk management process.

The chief executive and the chief financial officer are required each year to confirm in writing to the audit and financial risk committee that:

- the company's financial statements present a true and fair view, in all material respects, of the company's financial condition, and operational results are in accordance with relevant accounting standards;
- the statement given in the preceding paragraph is founded on a secure system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board has received assurance from the chief executive and chief financial officer that this confirmation is founded on a sound system of risk management and internal control which is operating effectively in all respects relating to financial reporting.

During the year the Board resolved to establish the safety and operational risk committee and to delegate responsibility to that committee for oversight of the company's safety and operational risk management programme. This committee's formal charter reflects this responsibility. The safety and operational risk committee's charter and the company's risk management policy can be found on the Company Website.

The committee oversees and makes recommendations to the Board on the safety (including health and safety), environmental and operational risk profile of the business and ensures that appropriate policies and procedures are adopted for the timely and accurate identification and reporting, and effective management of the significant risks.

It includes specific responsibility to review and monitor the application of the Company's enterprise wide processes for identifying and managing:

- health and safety matters;
- environmental issues;
- safety and operational risk; and
- compliance with applicable law and the Company's own policies,

The committee must have a minimum of three members, all of whom must be non-executive directors, and the majority must be independent directors. The committee is chaired by an independent chair, who is not chair of the Board. The current members are Keith Turner (chair), Richard Didsbury, Brett Godfrey, Sir Henry van der Heyden and Joan Withers, all of whom are independent non-executive directors. Their qualifications are set out on pages 22 and 23 and attendance at meetings on page 119.

The audit and financial risk committee continues to be delegated responsibility for oversight of financial risk. Further details of the role of this Committee are set out at Principle 4 above.

The company continues to enhance and develop its risk management process with a view to continuous improvement. During the year significant activities undertaken in this regard include:

- crisis management process and plans have been refined and developed; and
- the Board and management have reviewed and refined the Board's approach to risk in the conduct of the business.

The company has established a formal internal audit function. This function is performed by Ernst & Young. Ernst & Young reports on its activities two times in each year to the audit and financial risk committee.

The company's business is also subject to regular external audit at the operational level by New Zealand's Civil Aviation Authority. The company also has ISO9001:2000 certification. This is subject to audit.

Principle 8: Remunerate fairly and responsibly

The Board's human resources committee has a formal charter, and all of its members are non-executive directors. Human resources committee members are Keith Turner (chair), Brett Godfrey, Sir Henry van der Heyden and Joan Withers. Each member is independent. The committee's charter can be found on the Company Website. The committee members' attendance at meetings is set out on page 119.

The Board has an objective, in this report, to be transparent about its remuneration policy and practice, in order to demonstrate that all those involved with running the Company are motivated to create sustainable shareholder wealth and receive appropriate reward when they do.

Corporate governance CONTINUED

DIRECTORS

Non-executive directors receive fees determined by the Board on the recommendation of the human resources committee. Those fees must be within the aggregate amount per annum approved by shareholders. Shareholders approved a total pool of $1,326,120 at the company's annual meeting on 24 October 2012, an increase of $36,120 (2.8 percent) from the previously approved pool. The directors have also decided that they each will use 15 percent of the fees actually payable to them to acquire shares in the Company. In order to do this the directors have entered into a share purchase plan agreement and appointed First NZ Capital to be the manager of the plan. The manager of the plan acquires the shares required for the purposes of the plan on behalf of directors over the 20 business days commencing two days after the company's half year and full year results announcements. Directors will remain in the plan until one year after retirement from the Board.

Each year the human resources committee reviews the level of directors' remuneration. The committee considers the skills, performance, experience and level of responsibility of directors when undertaking the review, and is authorised to obtain independent advice on market conditions. After taking external advice, the committee makes recommendations on the appropriate levels of remuneration to the Board for submission to shareholders for approval. This year the Board is recommending to shareholders that shareholders increase the total pool available for directors' remuneration by 3.2 percent ($42,436) to $1,368,556.

The company's constitution allows the payment of a retirement benefit, being a lump sum no greater than the director's fees paid to the relevant director in any three years of the director's term of office chosen by the company. Following the company's 2004 annual meeting, the directors froze directors' retirement allowances at the levels applying at the date of that meeting. Directors appointed after 21 April 2004 are not entitled to retirement payments.

REMUNERATION OF DIRECTORS

Name	Director's fee	Accrued retirement allowance
Joan Withers	$228,750.00	$120,000.00
Keith Turner	$146,249.82	-
John Brabazon	$132,468.87	-
Richard Didsbury	$109,886.23	-
Brett Godfrey	$111,477.14	-
Sir Henry van der Heyden	$111,477.14	-
James Miller	$157,665.14	-
Justine Smyth	$123,718.87	-

The above remuneration includes fees for ad hoc committee attendances for the purposes of due diligence associated with the company's December 2012 bond issuance and consideration of Masterplanning and Resource Management issues as follows: Joan Withers - $8,750, John Brabazon - $8,750, Richard Didsbury - $2,500, James Miller - $12,500.

The above remuneration also includes the amounts applied by the Company to share purchases on behalf of the directors in accordance with the share purchase plan outlined above.

MANAGEMENT

The company's remuneration policy is to ensure that:

- staff are fairly and equitably remunerated relative to comparable positions within the Australasian market;
- staff are strongly motivated to achieve stretch performance that will deliver shareholder value; and
- the company is able to attract and retain high-performing employees who will ensure the achievement of company objectives.

The annual remuneration review process requires, what we call, "one over one" approval. That is, the approval of the Board of directors is required for the implementation of changes to the chief executive's remuneration, as recommended by the human resources committee. Likewise, the approval of the human resources committee of the Board is required for the implementation of recommendations from the chief executive in relation to the remuneration of the leadership team and the aggregate increment applying to all other employees.

The recruitment process, and subsequently the remuneration review process, involves the consideration of market information obtained from specialist advisors and, in the case of employees employed under collective agreements, negotiations with unions.

All employees of the company participate every six months in a detailed performance development system ("PDS"), administered by the human resources team. The outcomes of the PDS are integrated into the annual remuneration review to ensure that the company's remuneration policy is delivered on. The PDS also is a very useful tool in identifying necessary staff development and training and, very importantly, in succession planning.

The company's senior management team's total remuneration is made up of a mix of:

- base salary;
- short-term "at risk" performance incentives; and
- in relation to the leadership team, long-term performance incentives which are directly aligned to long term shareholder value creation.

The levels of remuneration, and the mix between the base salary and short and long-term incentives, vary at different levels of management. The company benchmarks the leadership team's remuneration against independently derived market data. A selection of comparable companies is chosen to ensure market relativities for comparable positions are observed. The comparison set includes a mixture of infrastructure, property, retail and, where appropriate Australasian airports are referenced, to offer viable comparators. The human resources committee's policy in relation to the remuneration of the leadership team is to target the leadership team's base salary in the upper quartile of the relevant pay scales to ensure the attraction and retention of top talent to these roles. This does vary on performance and experience in the role – high performance with very strong experience would likely be above the target while new appointments would likely be below.

The short-term component of the performance incentive is an at risk component in addition to base salary and is payable in cash. The chief executive's risk element under the short-term performance incentive is equivalent to 40 percent of base salary and the leadership team's is typically equivalent to 30 percent, but can be up to 35 percent, of base salary. The remainder of the senior managers participating in the short-term incentive typically have an amount of 20 percent of their base salary at risk on the same basis. The total number of staff included in the short-term incentive scheme is 35.

Half of the at risk element is based on the company's achievement of certain annual financial targets such as EBITDA, set by the Board. The other half is based on the relevant senior manager's achievement of certain key performance indicators relevant to his or her role which are set annually by the chief executive and advised to the Board. These are very much at risk targets and include stretch targets as well as baseline objectives with clear measures in place to determine achievement or non-achievement in any one year. For example, failure to achieve 90 percent of the financial target results in no payment of half of the at risk pay.

The company provides long-term performance incentives in the form of of long-term cash-based ('phantom') incentive plans. The phantom plans for the calendar years 2005 to 2008 have two components. One component involves the notional allocation of shares at the market value prevailing at the time of issue. The value of the shares is paid to the executive after three years qualifying service at the market rate prevailing at that time, less the appropriate tax. Ordinary dividends are not taken into account. The second component involves the notional allocation of options at prevailing market rates. The deemed exercise price is increased by the company's cost of equity each year, less dividends paid. Any benefit above the exercise price is payable in cash, less tax, three to six years after allocation.

The phantom plans for the calendar years 2009 to 2012 involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options are three years from the date of issue. Once the phantom options become exercisable the phantom options remain exercisable for the next two years, subject to a total shareholder return hurdle being met. The total shareholder return hurdle requires shareholder returns to be greater than the compound independent calculation of the annual cost of equity plus 1 percent. If the vesting period and hurdle have been met then the executive may exercise some or all of their options. The after tax benefit payable is the volume weighted average price of the shares over the 20 trading days prior to an executive direction less the initial share price for those phantom options on the day the phantom options were issued.

The current chief executive, Mr Adrian Littlewood, participated in each of the phantom phantom plans from 2009 to 2012 relating to his former role as general manager – retail and commercial. Mr Littlewood has not participated in any other phantom option plans.

The participation in the calendar 2012 plan, as part of Mr Littlewood's remuneration package, included options applicable to Mr Littlewood's commencement as chief executive with Auckland Airport on 5 November 2012. The issue price for this calendar 2012 phantom option plan was $2.60 as at 31 August 2012. 1,577,311 phantom options were issued to Mr Littlewood under the 2012 plan.

Under historical option plans, the former chief executive, Mr Simon Moutter, was granted phantom options effective on 4 August 2008 and 25 August 2010. The remaining phantom options as at 30 June 2013, applicable to Mr Moutter, are two tranches of one million phantom options issued on 4 August 2008. All other options applicable to Mr Moutter were forfeited on his departure from the company. These remaining options may not be exercised unless total shareholder returns are equal to or greater than a compound pre-tax rate of 12 percent per annum for at least 20 consecutive trading days. The first tranche of remaining options expires on 4 August 2013 and the last tranche of options expires on 4 August 2014. If exercisable, the cash amount payable under these phantom options for Mr Moutter is the closing share price of the shares immediately preceding the exercise date less the initial share price for these phantom options, being $2.20. Mr Moutter did not participate in any other phantom option plan.

As at 30 June 2013 the estimate of the fair value of the cash-settled phantom plans for all the participating executives is $5.856 million (2012: $3.000 million).

The number of phantom options issued to participants under the plans is determined by applying the company's independently calculated cost of equity and an independent valuation of the option using Black-Scholes valuation methodologies to the percentage of the relevant participant's base salary which is the subject of this incentive. This is a process which is done annually.

A statement of the company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration scheme forms part of the company's trading policy which can be found on the company's website.

The company also has run an employee share plan in the past and intends to in the future. Pursuant to this plan 189,600 shares were issued to 213 eligible employees on 21 November 2011. Payments for shares by participating staff are made by way of salary or wage deduction over a period of three years commencing from the issue date. A full description of the employee share plan is set out in note 26 of the notes to the financial statements.

At its meeting in August 2013 the Board resolved to conduct another employee share plan on substantially the same basis as that commenced in 2012.

Directors are not eligible to participate in any of the incentive plans operated by the company.

Total remuneration packages for all employees in excess of $100,000, including the five most highly paid employees of the company, are disclosed by band on page 125 of this report.

The total remuneration paid to the chief executive in the 2013 financial year was $1,150,313.

COMPLIANCE

The company complies with all of the requirements of the ASX Principles and the NZX Code as at the date of this annual report.

Shareholder information

REPORTING ENTITY

The company was incorporated on 20 January 1988, under the Companies Act 1955, and commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. On 25 June 1998, the company adopted a revised constitution, approved as appropriate for a publicly listed company. Further revisions of the constitution were adopted on 21 November 2000, 18 November 2002 and 23 November 2004 in order to comply with NZSX and ASX Listing Rule requirements.

The company was registered in Australia as a foreign company under the Corporations Law on 22 January 1999 (ARBN 085 819 156).

STOCK EXCHANGE LISTINGS

The company's shares were quoted on the NZX on 28 July 1998. The company's shares were quoted on the ASX effective 1 July 2002.

The company did not undertake an on-market share buyback during the year ended 30 June 2013. The company is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (i.e., substantial holdings and takeovers).

WAIVERS GRANTED BY THE NZX

The company was issued with waivers of Listing Rules 5.2.3, 7.1.10 and 11.1.1 by NZX on 28 November 2012 in respect of the company's November 2012 issue of $100 million of unsecured, unsubordinated fixed rate bonds ("Bonds").

Listing Rule 5.2.3 provides that a class of securities will not be considered for quotation unless those securities are held by at least 500 members of the public, holding at least 25% of the number of securities in the class issued, with each member holding at least a minimum holding. The company was provided with a waiver of this rule for a period of one year on the basis that the NZX was satisfied that the initial lack of liquidity in respect of the Bonds would not be of disadvantage to holders.

Listing Rule 7.1.10 provides that every Offering Document, after stating that applications may be made to the Issuer, shall state that they may be lodged with any Primary Market Participant, the Organising Participant or any other channel approved by NZX (in that order) in time to enable forwarding to the appropriate place prior to the application closing date. The waiver was granted to enable applications for the Bonds to be submitted only to the Lead Manager in respect of the issue.

Listing Rule 11.1.1 restricts an issuer of securities from imposing any restriction on the right of a holder of a quoted security to transfer that security, or any restriction upon registration of a properly completed transfer of quoted securities. The waiver was issued to permit the company to include terms in the trust deed relating to the Bonds that restrict transfers if they result in either the transferor holding less than $10,000 (if not zero) in principal amount in Bonds or are of amounts that are not multiples of $1,000.

DISCIPLINARY ACTION TAKEN BY THE NZX, ASX OR THE FINANCIAL MARKETS AUTHORITY ("FMA")

None of the NZX, the ASX or the FMA has taken any disciplinary action against the company during the financial year ending 30 June 2013.

REGULATORY ENVIRONMENT

The company is regulated by, amongst other things, the Airport Authorities Act 1966 and the Civil Aviation Act 1990. The company is an 'airport company' for the purposes of the Airport Authorities Act 1966. The company has consultation and disclosure obligations under the Airport Authorities Act 1966.

The company is obliged to comply with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, with disclosure financial statements required to be published in November each year.

AUDITORS

Deloitte has continued to act as auditors of the company, and has undertaken the audit of the financial statements for the 30 June 2013 year.

INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has continued to indemnify and insure its directors and officers against liability to other parties (except to the company or a related party to the company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

ENTRIES RECORDED IN THE INTERESTS REGISTER

Except for disclosures made elsewhere in this annual report, there have been no entries in the Interests Register of the company or its subsidiaries made during the year.

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated a total of $25,265 to various charities during the year. The company's subsidiaries did not make any donations during the year.

EARNINGS PER SHARE

Earnings in cents per ordinary share were 13.46 in 2013 compared with 10.76 cents in 2012 and 7.65 cents in 2011.

CREDIT RATING

As at 21 August 2013, the Standard & Poor's long-term debt rating for the company was A- Stable Outlook and the short-term debt rating was A-2.

SUBSIDIARY COMPANY DIRECTORS

Peter Alexander and Paul Divers held office as directors of Auckland Airport Limited as at 30 June 2013.

Simon Robertson and Charles Spillane held office as directors of Auckland Airport Holdings Limited and Auckland Airport Holdings (No. 2) Limited as at 30 June 2013.

Directors of the company's subsidiaries do not receive any remuneration or other benefits in respect of their appointments.

ANNUAL MEETING OF SHAREHOLDERS

The company's annual meeting of shareholders will be held at the Genesis Theatre, Vodafone Events Centre, 770-834 Great South Road, Manukau on 24 October 2013 at 2.00pm.

DIRECTORS' HOLDINGS AND DISCLOSURE OF INTERESTS

Directors held interests in the following shares in the company as at 30 June 2013:

Joan Withers	Held personally	41,326
Keith Turner	Held personally	8,436
John Brabazon	Held personally	7,318
Richard Didsbury	Held personally	7,318
	Held by Associated Persons	4,384
Brett Godfrey	Held personally	6,745
James Miller	Held personally	21,088
	Beneficially owned	8,500
	Held by associated persons	531
Justine Smyth	Held personally	106,266
Sir Henry van der Heyden	Held personally	7,318

DISCLOSURE OF INTERESTS BY DIRECTORS

The following general disclosures of interests have been made by the directors in terms of section 140(2) of the Companies Act 1993:

Joan Withers
Chair, Mighty River Power Limited
Deputy Chair, Television New Zealand Limited
Board Member, New Zealand Treasury Advisory Board
Trustee, The Tindall Foundation
Trustee, Louise Perkins Foundation
Trustee, Pure Advantage
Director, ANZ New Zealand Limited

Keith Turner
Director, Chorus Limited
Chair, Fisher & Paykel Appliances Holdings Limited
Chair, Solar City Limited
Chair, Keith Turner & Associates
Director, Spark Infrastructure Pty Limited

John Brabazon
Director, Clavell Capital Limited
Governing Member, Round Mountain Oil LLC
Director, Brabazon Petroleum Limited

Richard Didsbury
Director, Hobsonville Land Company Limited
Director, Kiwi Income Property Trust
Director, Committee for Auckland Limited
Director, Sky City Entertainment Group Limited

Brett Godfrey
Director, Westjet Airlines Limited
Director, Tourism Australia

Sir Henry van der Heyden
Chair, Fonterra Co-operative Group Limited (retired 31 May 2013)
Chair, Tainui Group Holdings Limited
Director, Manuka SA
Director, Pascaro Investments Limited
Director, Rabobank Australia
Director, Rabobank New Zealand Limited
Director, Foodstuffs North Island Limited (appointed 1 September 2013)

James Miller
Director, Mighty River Power Limited
Deputy Chair, NZX Limited
Director, New Zealand Clearing and Depository Corporation Limited (a subsidiary of NZX Limited)
Director, Accident Compensation Corporation
Board Member, Financial Markets Authority

Justine Smyth
Director, Telecom Corporation of New Zealand Limited
Board Member, Financial Markets Authority
Director, Lingerie Brands Limited
Chair, New Zealand Breast Cancer Foundation
Trustee, Pure Advantage

REMUNERATION OF EMPLOYEES

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, is the number of employees or former employees of the company, excluding directors of the company, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year:

Amount of remuneration	Employees
$100,001 to $110,000	23
$110,001 to $120,000	15
$120,001 to $130,000	6
$130,001 to $140,000	6
$140,001 to $150,000	5
$150,001 to $160,000	2
$160,001 to $170,000	2
$170,001 to $180,000	3
$180,001 to $190,000	3
$190,001 to $200,000	6
$200,001 to $210,000	2
$220,001 to $230,000	2
$230,001 to $240,000	2
$240,001 to $250,000	1
$470,001 to $480,000	1
$560,001 to $570,000	1
$680,001 to $690,000	1
$760,001 to $770,000	1
$830,001 to $840,000	1
$920,001 to $930,000	1
$1,070,001 to $1,080,000	1
$1,150,001 to $1,160,000	1

Remuneration includes salary, performance bonuses, employer's contributions to superannuation, health and insurance plans, motor vehicle and other sundry benefits received in their capacity as employees.

The company has long-term incentives in place for senior executives for 2007, 2008, 2009, 2010, 2011 and 2012 (refer to note 26 in the financial statements); at balance date the value of these incentives was $5.856 million.

None of the company's subsidiaries have any employees or former employees.

Shareholder information CONTINUED

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDERS

AS AT 21 AUGUST 2013

Size of holding	Number of Shareholders	%	Number of Shares	%
1 – 1,000	3,720	7.49	2,126,332	0.16
1,001 – 5,000	31,805	64.06	68,697,141	5.19
5,001 – 10,000	6,580	13.25	47,401,571	3.58
10,001 – 100,000	7,237	14.58	169,020,207	12.78
100,001 and over	304	0.61	1,035,508,838	78.29
Total	**49,646**	**100.00**	**1,322,754,809**	**100.00**

SUBSTANTIAL SECURITY HOLDERS

Pursuant to section 26 of the Securities Amendment Act 1988, the following persons had given notice as at 21 August 2013 that they were substantial security holders in the company and held a 'relevant interest' in the number of ordinary shares shown below:

Substantial security holder	Number of shares in which 'relevant interest' is held	Date of notice
Auckland Council Investments Limited (through its wholly-owned subsidiaries, Auckland Council Investments (AIAL) Limited and Manukau City Investments Limited	295,921,014	04.11.10
Auckland Council Investments (AIAL) Limited	165,501,630	04.11.10
Manukau City Investments Limited	116,712,656	21.09.05

The total number of voting securities on issue as at 21 August 2013 was 1,322,754,089.

TWENTY LARGEST SHAREHOLDERS

AS AT 21 AUGUST 2013

Shareholder	Number of shares	% of capital
New Zealand Central Securities Depository Limited[1]	494,042,005	37.35
Airport Shares (Auckland) Limited	165,501,630	12.51
Airport Shares (Manukau) Limited	130,419,384	9.86
Custodial Services Limited	27,055,972	2.05
JP Morgan Nominees Australia Limited	20,424,080	1.54
National Nominees Limited	17,900,647	1.35
FNZ Custodians Limited	13,583,441	1.03
RBC Investor Services Australia Nominees Pty Limited	10,588,114	0.80
Custodial Services Limited	10,380,803	0.78
HSBC Custody Nominees (Australia) Limited	8,845,975	0.67
Forsyth Bar Custodians Limited	8,378,426	0.63
Custodial Services Limited	7,904,646	0.60
Custodial Services Limited	6,599,259	0.50
FNZ Custodians Limited	5,924,518	0.45
Investment Custodial Services Limited	5,922,084	0.45
Custodial Services Limited	5,218,630	0.39
Masfen Securities Limited	4,437,919	0.34
Citicorp Nominees Pty Limited	4,317,344	0.33
Forsyth Bar Custodians Limited	4,112,257	0.31
New Zealand Depository Nominee Limited	3,613,478	0.27

1 New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 21 August 2013, the 10 largest shareholdings in the company held through NZCSD were:

Shareholder	Number of shares	% of NZCSD Holding
HSBC Nominees (New Zealand) Limited	91,902,477	6.95
JPMorgan Chase Bank	85,113,837	6.43
HSBC Nominees (New Zealand) Limited	62,411,467	4.72
National Nominees New Zealand Limited	50,136,340	3.79
Accident Compensation Corporation	45,349,627	3.43
Citibank Nominees (NZ) Limited	36,020,055	2.72
Cogent Nominees Limited	33,531,737	2.53
New Zealand Superannuation Fund Nominees Limited	25,586,053	1.93
Tea Custodians Limited	15,108,244	1.14
Private Nominees Limited	11,980,606	0.91

Shareholder information CONTINUED

Investor information

COMPANY PUBLICATIONS

The company informs investors of the company's business and operations by issuing an annual report (with notice of meeting) and an interim report.

FINANCIAL CALENDAR	Half year	Full year
Results announced	February	August
Reports published	March	September
Dividends paid	March	October
Annual meeting	-	October
Disclosure financial statements	-	November

Please note that the annual meeting will be held at 2.00 pm on 24 October 2013 this year at the Vodafone Events Centre, Manukau.

VOTING RIGHTS

The voting rights of shareholders are set out in the company's constitution. Each holder of ordinary shares is entitled to vote at any annual meeting of shareholders. On a show of hands, each holder of ordinary shares is entitled to one vote. On a poll, one vote is counted for every ordinary share. A person is not entitled to vote when disqualified by virtue of the restrictions contained in the company's constitution and the ASX and NZSX Listing Rules of the ASX and the NZX.

ENQUIRIES

Shareholders with enquiries about transactions, changes of address or dividend payments should contact Link Market Services Limited on +64 9 375 5998. Other questions should be directed to the company's corporate secretary at the registered office.

STOCK EXCHANGE

The company's ordinary shares trade on the NZSX and the ASX. The minimum marketable parcel on the NZX is 100 shares and in Australia a 'marketable parcel' is a parcel of securities of more than AU$500. As at 21 August 2013, 44 shareholders on the ASX and 288 shareholders on the NZX held fewer securities than a marketable parcel under the Listing Rules of the ASX.

DIVIDENDS

Shareholders may elect to have their dividends direct credited to their bank account. The company also offers shareholders the opportunity to participate in a dividend reinvestment plan. Details of this plan are available in the "Investors" section of the Company Website.

LIMITATIONS ON THE ACQUISITION OF THE COMPANY'S SECURITIES

The company is incorporated in New Zealand. As such, it is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (such as substantial holdings and takeovers). Limitations on acquisition of the securities are, however, imposed on the company under New Zealand law:

(a) Securities in the company are in general freely transferable. The only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand law relating to takeovers, overseas investment and competition.

(b) The Takeovers Code creates a general rule under which the acquisition of more than 20 percent of the voting rights in the company or the increase of an existing holding of 20 percent or more of the voting rights in the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90 percent or more of the shares in the company.

(c) The Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the Overseas Investment Office is likely to be required where an 'overseas person' acquires shares or an interest in shares in the company that amount to more than 25 percent of the shares issued by the company or, if the overseas person already holds 25 percent or more, the acquisition increases that holding.

(d) The Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Share Registrars

NEW ZEALAND

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West
Auckland 1010

PO Box 91976
Auckland 1142

Phone: +64 9 375 5998
Fax: +64 9 375 5900

AUSTRALIA

Link Market Services Limited
Level 12
680 George Street
Sydney
NSW 2000

Locked Bag A14
Sydney South
NSW 1235

Phone: +61 2 8280 7111
Fax: +61 2 9287 0303

Corporate directory

DIRECTORS

Joan Withers, chair
Keith Turner, deputy chair
John Brabazon
Richard Didsbury
Brett Godfrey
Sir Henry van der Heyden
James Miller
Justine Smyth

SENIOR MANAGEMENT

Adrian Littlewood, chief executive
Peter Alexander, general manager property
Paul Divers, acting general manager retail and commercial
Judy Nicholl, general manager aeronautical operations
Simon Robertson, chief financial officer
Charles Spillane, general manager corporate affairs
Glenn Wedlock, general manager aeronautical commercial

REGISTERED OFFICE NEW ZEALAND

4 Leonard Issit Drive
Auckland Airport Business District
Manukau 2022
New Zealand

Telephone: +64 9 275 0789
0800 Airport (0800 247 7678)
Facsimile: +64 9 275 4927
Email: corporate@aucklandairport.co.nz
Website: www.aucklandairport.co.nz

REGISTERED OFFICE AUSTRALIA

c/o KPMG
147 Collins Street
Melbourne
Victoria 3000
Australia

Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
Website: www.kpmg.com.au

MAILING ADDRESS

Auckland International Airport Limited
PO Box 73020
Auckland Airport
Manukau 2150
New Zealand

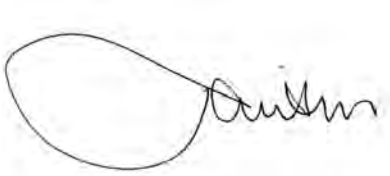
CORPORATE SECRETARY

Charles Spillane

AUDITORS

External auditor – Deloitte
Internal auditor – Ernst & Young
Share registry auditor – Grant Thornton

This Annual Report is dated 25 September 2013 and is signed on behalf of the Board by:



Joan Withers
Chair of the Board

Keith Turner
Deputy Chair

Online Report

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

aucklandairport.co.nz

Please recycle me