

Delivering for the future



Investing in infrastructure ⁺
See page 19

Triplt partnership ⁺
See page 15

...across the

New routes, services⁺
and capacity
See page 13

International departures 10:33				International departures 10:33					
Dest	Time	Status	Time	Dest	Time	Status	Time		
Auckland	10:00	Departed	10	1 min	Auckland	10:00	Departed	10	1 min
Wellington	10:10	Board open in 45 min		Wellington	10:10	Board open in 45 min			
Christchurch	10:10	Board open in 45 min		Christchurch	10:10	Board open in 45 min			
London Heathrow	10:30	Board		London Heathrow	10:30	Board			
Paris	10:30	Board		Paris	10:30	Board			
Frankfurt	10:30	Board		Frankfurt	10:30	Board			
Amsterdam	10:30	Board		Amsterdam	10:30	Board			
Brussels	10:30	Board		Brussels	10:30	Board			
Madrid	10:30	Board		Madrid	10:30	Board			
Rome	10:30	Board		Rome	10:30	Board			
Hong Kong	17:00	Board		Hong Kong	17:00	Board			
Perth	16:15	Board		Perth	16:15	Board			
Wellington	18:10	Board		Wellington	18:10	Board			
Christchurch	18:10	Board		Christchurch	18:10	Board			
Auckland	18:10	Board		Auckland	18:10	Board			
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5-10 登机口
International transfer
登机口 Gates 1 & 3
→

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



business.

Marine rescue⁺
fleet upgrade
See page 17

Welcome to what we have achieved.

Welcome to Auckland Airport's annual report for the financial year to 30 June 2015. It has been another 12 months of excellent financial performance and growth, which has underpinned an increase in the value of our company and outstanding returns to our shareholders.

Total passenger movements were up 5% to 15.8 million, with international passengers up 5.7% to 8.1 million, international transit passengers up 6.7% to 0.5 million and domestic passengers up 4.2% to 7.2 million. This growth reflects the very positive trends in the New Zealand tourism industry, which includes a shift towards high-value international visitors.

This financial year Auckland Airport has continued to implement its strategic business plan: Faster, Higher, Stronger. This has delivered immediate benefits – including in technology, retail and aeronautical infrastructure – and has positioned us to take full advantage of future opportunities. In particular, our property development business has performed very well in the 2015 financial year.

We have continued to see new airline routes, services and capacity. We have introduced two new duty free operators and exciting fashion, food and beverage retailers in our terminals. Our collaborative work with partners has improved the efficiency of airport operations and has delivered significant benefits for our passengers. Also, we have started to deliver the infrastructure anticipated in our 30-year vision for the airport of the future.

Total profit after tax was up by 3.5% to \$223.5 million while underlying profit after tax increased by 3.8% to \$176.4 million. Total revenue was up by 6.9% to \$508.5 million. Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 7% to \$380 million.

The final dividend is 7.3 cents per share. This delivers a total dividend for the 2015 financial year of 14.6 cents per share – reflecting an increase of 12.9% in underlying earnings per share for our investors in the past 12 months.

Auckland Airport will continue to deliver for its investors in the 2016 financial year. We expect underlying net profit after tax (excluding any fair value changes and other one-off items) to be between \$183 million and \$191 million. As always, this guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and financial derivatives and deterioration due to global market conditions or other unforeseeable circumstances.



Sir Henry van der Heyden
Chair



Adrian Littlewood
Chief Executive

\$176.4m

↑ 3.8%

Underlying profit

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

For several years, Auckland Airport has referred to underlying profits alongside reported results. We do so when we report our results but also when we give our market guidance (where we exclude fair value changes and other one-off items) or when we consider dividends and our policy to pay 100% of net profit after tax, excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items. However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result. The reconciliation can be found on page 25.



We have introduced two new duty free operators and exciting fashion, food and beverage retailers in our terminals.



The proof is in the numbers.

Passenger movements

 **5%**

15.8m

International 8.1m Up 5.7% | International transits 0.5m Up 6.7% | Domestic 7.2m Up 4.2%

Revenue

 **6.9%**

\$508.5m

Operating EBITDAFI

 **7%**

\$380m

Total profit

 **3.5%**

\$223.5m

Underlying profit

↑ 3.8%

\$176.4m

Total dividend per share

Interim 7.3c | Final 7.3c

14.6c

Underlying earnings per share

↑ 12.9%

14.8c

5-Year average
shareholder return

23.9%

We are delivering on being

Faster Higher Stronger.

In the 2013 financial year, we announced our strategic plan to grow faster, aim higher and become stronger and, in doing so, maintain the strong momentum we have established over the past few years. Our five-year business strategy, Faster, Higher, Stronger, responds to the challenges we have identified ahead from changing aviation markets and changing customer expectations, on top of competitive pressure on retail and the commercial property market. It builds on our 2009-2013 business strategy, Flight Path for Growth, which fundamentally changed our business philosophy, improved our performance and developed our focus on 'making journeys better' for all customers and partners of Auckland Airport.

01

We're growing travel markets

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

02

We're strengthening our consumer business

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

03

We're being fast, efficient and effective

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

04

We're investing already for future growth

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

Where our strategy is leading us.

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

In the 2015 financial year, we continued to deliver on the aspirational goals announced in the 2013 annual report.

Our aspirations are:

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



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



How we tracked in FY15:

292,435

Chinese arrivals increased to 292,435.

\$56m

Property rent roll increased to \$56 million.

↑ 78,654

↑ \$12m

Achieve 10 million international passengers by FY18, up from 7.3 million in FY13.



Reach 20 million total passengers by FY20, up from 14.5 million in FY13.



8.1m

International passengers using Auckland Airport increased to 8.1 million.

 **0.8m**

15.8m

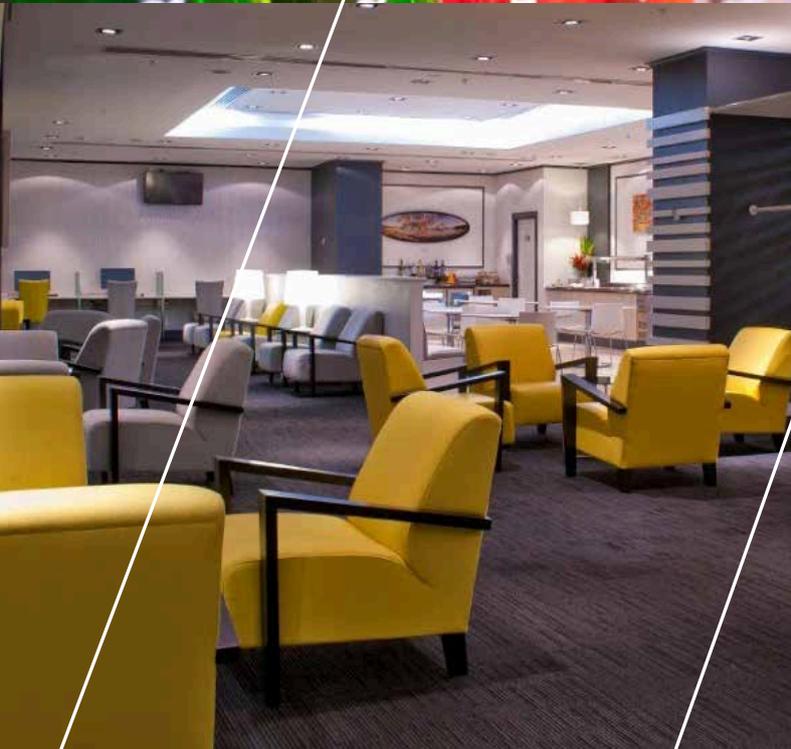
The total number of passengers travelling through Auckland Airport increased to 15.8 million.

 **1.3m**



Thanks to the success of **Faster, Higher, Stronger**, we're delivering for both New Zealand and our investors.





The journey we're on.

Auckland Airport continues to work on developing sustainable air connectivity to international and domestic destinations. As previously stated, in the 2015 financial year, international passenger numbers increased by 5.7% to 8.1 million and the number of international transit passengers increased by 6.7% to 0.5 million. This growth is a result of additional routes, services and capacity across well-established, emerging and new international markets.



Gro



BUENOS AIRES



HOUSTON

28.8% 

Chinese market growth in the 2015 financial year.

Air New Zealand has announced it will launch new services to Buenos Aires and Houston from December 2015.

Established markets

The Chinese market continued its amazing growth story this financial year: up by 28.8% on the previous 12 months. China Southern Airlines increased its Guangzhou-to-Auckland summer service frequency from 10 to 14 flights per week between October 2014 and March 2015. The airline also upgauged from a B787 to a B777 aircraft on its night flight over the summer peak season, adding 17,000 more seats to the route. As a result of the success of its additional flights, China Southern Airlines will implement a year-round, double-daily service from October 2015. Building further on that growth, China Eastern Airlines started a seasonal service between Auckland and Shanghai over the summer peak season. This new service was so successful that China Eastern Airlines will operate four flights per week year-round from September 2015, adding 100,000 seats to this all-important route every year. Also, Air New Zealand grew the Chinese market this financial year by upgrading its daily Shanghai service to a B787 aircraft.

Similarly, North America has continued to be an important market for Auckland Airport this

Hong Kong to Auckland, operating an A340 for an extra two weeks through to March 2015. Air New Zealand commenced its new daily Singapore service in January 2015, taking over from Singapore Airlines' five-flights per week. South-east Asian growth was boosted also by Air New Zealand flying a B787 on its Tokyo route and expanding its Japan capacity by 30% between November 2014 and March 2015.

Auckland Airport continues to play a very important role in connecting the Pacific Islands to New Zealand and the world. In the 2015 financial year, Air New Zealand increased capacity by 12% on its Nadi route, between May and October 2015, and Aircalin launched a new A320 on its Noumea route in September 2014.

Australia remains our most established and largest market for international visitors, with arrivals from Australia up by 2.3% to 776,350 in the 2015 financial year. Air New Zealand started flying B787 aircraft to Sydney and Perth, and Qantas resumed its twice-weekly A330 service between Perth and Auckland. Also, Jetstar added six more weekly services between Auckland and Melbourne and an extra weekly service between Auckland

that it intends to operate a new A320 service connecting Manila to Auckland, with a stopover in Cairns. This service will start in December 2015 and will be the airline's first to New Zealand. It will operate four flights per week, delivering 64,500 seats annually from this new market.

Domestic

On the back of the strong growth in international capacity, the 2015 financial year saw a 4.2% increase in domestic passenger numbers, to 7.2 million. Importantly, passenger growth was achieved for both main-trunk and regional destinations. Air New Zealand stopped its Kaitiaki and Whakatane services this financial year, however Great Barrier Airlines and Air Chathams have commenced replacement services to these destinations. Also, Jetstar has announced that from December 2015 it will fly to at least four regional destinations, using a fleet of five 50-seat Bombardier Q300 turbo-prop aircraft.

Playing our part

Marketing New Zealand as an attractive destination remains an important part of our strategy to grow our international tourism markets.

■ travel markets.

Downing

financial year, with international arrivals from the United States of America up by 10.6% on the previous period. Recognising the potential of this popular market, Air New Zealand has announced a new Houston service from December 2015. With up to five B777 flights per week, this exciting new route will add 126,000 seats annually to the North American market. Also, the airline has added 20% more capacity to its Los Angeles route between March and October 2015 and increased its San Francisco service from seven to 10 B777 flights per week during the summer peak season. Further strengthening its commitment to North America, Air New Zealand is increasing capacity by 14% on its Honolulu route, with the addition of a fifth weekly B767 service, and on its Vancouver route by 10%, extending its current July-to-August five-per-week service to include June and September.

South-east Asia is also a well-established market for Auckland Airport and, in the 2015 financial year, the market experienced 11.9% growth on the previous period. In October 2014, Singapore Airlines introduced an A380 on its daily summer peak service to Auckland, while Cathay Pacific extended its second daily seasonal service from

and Sydney. Regrettably, the Australian market saw some reductions this financial year as well, with Qantas decreasing its weekly services to Melbourne and Sydney, and Jetstar stopping its Adelaide service.

Emerging and new markets

In addition to growth from our well-established visitor markets, we saw growth from emerging markets, such as South America, during the 2015 financial year. In July 2014, LAN Airlines increased its flights from six to seven per week between Sydney, Auckland and Santiago and, in April 2015, it started to fly a B787 on this route. The South American market is expected to experience very strong growth in the future, in large part due to Air New Zealand's decision to launch a new service to Buenos Aires from December 2015. This service will re-establish Auckland Airport's direct air connectivity to Argentina, with three B777 flights per week adding 95,000 seats per year to the market.

We are confident that international passenger numbers will continue to grow into the future through new visitor markets. In an exciting development, Philippine Airlines has announced

In the 2015 financial year, we continued to play our part to enhance New Zealand tourism. A specific focus has been addressing the seasonality of tourism by increasing international arrivals during off-peak months. Our Four Seasons, Five Senses campaign is a partnership with the Government to grow tourism. Its implementation has seen New Zealand's premium food and wine, and cultural and adventure experiences being showcased to high-value passengers from China's Guangdong province. We believe the campaign will help deliver outstanding value to the New Zealand tourism industry.

We also joined forces with celebrity chef Al Brown to showcase high-quality New Zealand food and wine to passengers on China Southern Airlines' Auckland-to-Guangzhou services. Al Brown's exciting redesign of the airline's inflight menu showcases our country's culinary and viticultural successes to a large and diverse audience.

Innovative marketing and partnerships will continue to play important roles as Auckland Airport further grows travel markets over the next 12 months.



Str

5,000+

Passengers per month used our Emperor Lounge during the summer peak season.



AELIA DUTY FREE



THE LOOP DUTY FREE

LS Travel Retail Pacific and Aer Rianta International started trading, as Aelia Duty Free and The Loop Duty Free respectively, in the last days of the financial year and will operate at Auckland Airport for at least seven years.

In the 2015 financial year we continued to increase the range of products and services we provide to improve the total consumer experience for those travelling through Auckland Airport.

Retail

A major initiative this financial year was the selection of two new operators to provide our international passengers with high-quality duty free retail experiences: LS Travel Retail Pacific and Aer Rianta International. These two innovative and world-leading operators were chosen following a competitive international process involving some of the world's best duty free businesses. LS Travel Retail Pacific and Aer Rianta International started trading, as Aelia Duty Free and The Loop Duty Free respectively, in the last days of the financial year and will operate at Auckland Airport for at least seven years. In July and August 2015 both operators are expanding and enhancing further their product-ranges and stores within the international terminal. Aelia Duty Free and

As a result of the successful duty free tender and other changes in specialty stores, Auckland Airport expects our retail earnings before interest, tax and depreciation in the 2016 financial year to increase by an additional \$5 million. This positive economic outcome underlines the importance of investing further in the retail capacity of our terminals.

Consumer products

Supporting our retail focus has been the ongoing use of technology to help us deliver a stronger consumer product. This has resulted in an increase in the number of retailers participating in our 'click and collect' online retail service which provides passengers with the option of buying online and collecting their purchases next time they are travelling internationally. The popular New Zealand clothing, footwear, jewellery and accessories brand, Ruby, and the iconic New Zealand jeweller, Walker & Hall, recently joined this important online channel. To help deliver a quality consumer experience, this financial year we further

Triplt

An exciting customer experience achievement this financial year was the announcement in February 2015, of a partnership with Triplt, the world's highest-rated travel-organising app. Triplt has more than 11 million registered users around the world and is the easiest way to organise and share travel plans. The app automatically creates a master travel itinerary for the traveller, which is accessible anytime, on any device, using multiple travel booking references. The partnership is the first in the world between Triplt and an airport and is an exclusive arrangement here in New Zealand. It enables Auckland Airport and Triplt to share insights and develop services for New Zealand and international travellers.

The Triplt partnership is one of many initiatives that Auckland Airport is undertaking to make the travel experience better for airport users, regardless of airline, class of travel or nationality. The development and release of a new iPhone app this financial year is another example of our commitment to providing passengers with more information that is

consumer business. longer

The Loop Duty Free will help us to provide passengers with shopping experiences unrivalled anywhere else in New Zealand and will enable our duty free shopping offering to become one of the best in the world.

As a consequence of these changes Auckland Airport farewells both DFS and JR Duty Free and we would like to acknowledge their work in providing a great duty free experience to our passengers over many years.

We have continued to increase retail choice by introducing several new specialty stores, including Casio G-Factory and the New Zealand handbag brand, Saben, in our international terminal. We also improved the domestic retail experience, opening 3 Wise Men, Shaky Isles café and bar, Pie Face and new convenience stores. Additional specialty stores are being planned to open in the 2016 financial year, with even more stores opening once Auckland Airport completes the expansion of its international departure area at the end of the 2017 calendar year.

improved the parking and passenger experience services at Auckland Airport.

In December 2014, we opened a new valet parking service at the international terminal, complementing the successful domestic terminal service. We also provided travellers with approximately 150 more spaces in our popular Park&Ride carpark and 500 more carparking spaces beside our international terminal. The number of passengers and airlines using our Emperor Lounge continues to increase and exceeded 5,000 per month during the summer peak season. The Emperor Lounge is enjoyed by travellers who do not belong to airline lounge programmes and, in addition, it is used currently by seven airlines to accommodate their premium passengers prior to boarding. Our fledgling Concierge service has continued to grow in popularity this financial year also; it is appreciated especially by lone parents travelling with children, and visiting celebrities and VIPs, who value an assisted arrivals experience.

relevant to their travel. In addition to supporting Triplt, the app includes airport travel time information and helpful reminders relating to the whole experience at Auckland Airport.





Being fast,
eff



SMART APPROACHES

In December 2014 we published the final report on the 2013/2014 SMART Approach flight path trial.

\$4m

Investment in our Airport Operating System to deliver real-time data to Auckland Airport Operations.



MARINE RESCUE FLEET

This financial year we launched a major upgrade to our marine rescue fleet.

Auckland Airport's ongoing transformation into a modern, efficient, innovative and intelligence-led company has remained a priority during the 2015 financial year.

Real-time data

We have continued to develop new ways of managing movements in the terminal and on the airfield through real-time data collection. Equally important has been the ongoing development of ways to share that real-time data between airlines, service providers and border agencies. Our Airport Operating System is a \$4-million investment in technology that delivers real-time data to those who need to use it. It enables efficient use of resources and infrastructure – such as gates and baggage belts. Supporting such technology is our collaborative decision-making forum which helps to ensure that everyone is focused on delivering a positive experience for both our passengers and the airlines. As a result of this, more information

Airfield

Maintaining the integrity and safety of the airfield has remained a priority for our engineering and emergency services teams over the past 12 months.

Aircraft can weigh up to several hundred tonnes and cause significant wear and tear to the concrete when taxiing, taking-off and landing. In the 2015 financial year we undertook a trial of rapid-set concrete which, due to its chemical composition, can support the weight of an aircraft only four hours after it has been poured. If successful, this new technology will greatly improve the airfield's resilience and capacity, and deliver significant cost savings.

To ensure that survival equipment can be deployed on the Manukau Harbour in the event of an emergency, this financial year we launched a major upgrade to our marine rescue fleet. Joining the airport's

SMART Approaches

Also, in the 2015 financial year, we continued to play our part to improve the management of airspace around Auckland Airport. In December 2014 we published the final report on the 2013/2014 SMART Approaches flight path trial, in partnership with Airways New Zealand and the Board of Airline Representatives New Zealand. SMART Approaches use satellite-based navigation and enable aircraft to burn less fuel, emit less carbon dioxide and fly more quietly. As a direct result of feedback from the trial and public consultation, the two trial SMART Approaches from the North were modified to a higher altitude and a wider approach curve – to reduce aircraft noise, use even less fuel and increase efficiency. These new flight paths came into permanent operation on 28 May 2015. The SMART Approach from the South had continued to be flown since the trial's conclusion and, in

efficient and effective.

than ever before is being shared by those who work at the airport and, also, decision-making is more coordinated than it ever has been before.

Passenger experience

This financial year we successfully trialled and introduced roving, multi-lingual customer service staff to improve the passenger experience in the terminal, by anticipating customers' needs and helping them. Feedback on this new initiative has been very positive and it has offered customers an excellent and warm welcome to New Zealand. Following a successful trial of automated public announcements in foreign languages this financial year, we have installed multilingual audio technology infrastructure into all our gate lounges in anticipation of its launch in the 2016 financial year.

existing hovercraft is a new Griffon 2000TD hovercraft, a 12-metre Q-West catamaran command and firefighting boat, and an 11-metre Icon Brands monohull rescue boat. This \$5-million marine rescue fleet upgrade followed a review of international best practice, including close work with Singapore's Changi Airport, which has a marine environment similar to that of the Manukau Harbour.

Together with the more-than-\$5-million investment we made last year in four Rosenbauer Panther firefighting vehicles, our new marine rescue fleet represents the world's leading safety technology and ensures Auckland Airport will continue to comply with international requirements as the numbers of aircraft and passengers increase.

the final report, it was approved for use between 7:00am and 10:00pm. The final report also confirmed that a third SMART flight path from the North will be trialled from September 2015 and that an investigation will take place to determine whether it is possible to design an additional SMART flight path for trial from the South.



Maintaining the integrity and safety of the airfield has remained a priority for our engineering and emergency services teams over the past 12 months.



Invest



INTERNATIONAL BAGGAGE HALL

We extended our international baggage hall by 2,500-square-metres to accommodate two additional baggage belts.



QUAD 7

A six-storeyed 8,000-square-metre office building located at 6 Leonard Isitt Drive

99.9%

Occupancy of our \$763-million property investment portfolio.

In the 2015 financial year, Auckland Airport continued to invest in the infrastructure we need to accommodate growth and operate New Zealand's aeronautical gateway successfully. We also invested in a number of projects to develop our property business further.

Terminal and airfield capacity

Our primary focus on airport infrastructure has been adding terminal and airfield capacity to support growth and to address the most pressing needs as a priority. As a result we extended our international baggage hall by 2,500-square-metres to accommodate two additional baggage belts. This will deliver 40% more international baggage belt capacity; half this was provided this financial year and the balance will be provided prior to the next summer peak season. Additional space was added to increase the size of the biosecurity screening area used by the Ministry for Primary Industries.



Auckland Airport is becoming New Zealand's most popular new business park.

Auckland Airport has an important role in connecting regional New Zealand to Auckland and the world. As a result of the ongoing growth in domestic airline services to the regions, this financial year we have worked on a plan to deliver six more domestic regional aircraft stands. This means we will have a total of 15 regional stands and ensures we have sufficient capacity for both Air New Zealand and Jetstar to grow these important services.

This financial year we also continued the programme of upgrading our aerobridges and gate lounges on Pier A of the international terminal.

and Fuji Xerox will relocate to a new \$13-million centre and warehouse, where it will showcase and store its latest products. This financial year we have continued to work with existing tenants that need additional space. As a result, we have expanded the buildings occupied by DHL and CEVA to accommodate their growing businesses.

The ongoing development of The Landing continues and soon we will deliver another 9.5 hectares of high-quality serviced land ready for commercial property developments.

With the Quad 5 office building now 100% tenanted we are about to start construction on the neighbouring Quad 7 office building. This six-storeyed, 8,000-square-metre office building will be located at 6 Leonard Isitt Drive and will feature hospitality and retail businesses on its ground floor. Once completed, it will enhance greatly the office facilities provided at the airport.

Investing for future growth.

We have continued to work on the concept design and business case for expanding our international departure area. This project will increase significantly our emigration capacity and our ability to accommodate passenger growth and new border processes. Also, it will provide us with the opportunity to expand the range of retail stores in the international departure area.

During this financial year, Auckland Council progressed its proposed unitary plan, which will determine urban planning controls for the next 30 years. As a result, we have invested a significant amount of resource to ensure that Auckland has land planning rules which enable the airport both to grow and to operate in the future. In addition, we have invested in progressing the design and construction details for our northern runway, so that we can communicate and consult on this vital piece of aviation infrastructure in the near future.

A new aerobridge was installed at Gate 2 and Lounges 5 and 7 were refurbished. We also upgraded our security access control system to ensure the aerodrome remains as secure as possible at all times.

Property

Our property business grew from strength to strength in the 2015 financial year. The transformation of our non-aeronautical land has continued and Auckland Airport is becoming New Zealand's most popular new business park. Occupancy of our \$763-million property investment portfolio now stands at 99.9% and in the past 12 months we have seen an exciting range of businesses decide to relocate to the airport, including Coca-Cola Amatil and Fuji Xerox. Both these major companies will lease custom-made premises that Auckland Airport will design and build – Coca-Cola Amatil will move into an 11,000-square-metre manufacturing and warehouse facility,

Our two hotels, the Novotel and ibis budget, not only have provided much-needed accommodation for travellers this financial year, they also have been very successful business ventures. As a result, Auckland Airport has commenced work on the design and business case for a third hotel, which will be located near the international terminal.

To ensure that we can accommodate passenger and business park growth over the next 30-years, Auckland Airport has increased its focus on suburban and regional land transport connectivity, especially with South Auckland and State Highways 20A and 20B. We are working closely with the New Zealand Transport Agency and Auckland Transport to identify short, medium and long-term solutions to ensure that staff and passengers have safe, reliable and affordable access to and from the airport.

Being a good neighbour.



One of most important investments we can make in our future is working to be a good neighbour. This financial year we have continued our commitment to engage openly and transparently with Aucklanders and the city's decision-makers. Also, we have continued to invest in our community, providing financial support where it is most needed. This year we gave the Auckland Airport Community Trust \$327,000 to allocate to valuable community projects in part of South Auckland. This has enabled the Trust to provide more than \$3 million of support to the community since it was created in 2003. In addition to this, our 12 Days of Christmas programme provided \$120,000 to 12 charities in the days leading up to Christmas.

Supporting local youth has remained a priority for Auckland Airport this financial year. We established a scholarship programme to provide local school students with both support in their tertiary education and summer employment at the airport. Together with students from Otahuhu

College, our staff helped clean-up Wairoa Island, and our art programme helped showcase the artistic skills of young, local talent. Also, our new performance programme enabled local creative groups to perform live to audiences in our international terminal. Once again this financial year the \$30,000 Auckland Airport Gold Medal Awards programme supported organisations focused on sport and well-being for youth.

Our commitment to being a good neighbour is at the heart of everything we do at Auckland Airport. It is important that we, as a successful company, play our part to help maintain the well-being of our communities, especially in our neighbouring South Auckland region.



Our commitment to being a good neighbour is at the heart of everything we do at Auckland Airport.

\$327,000

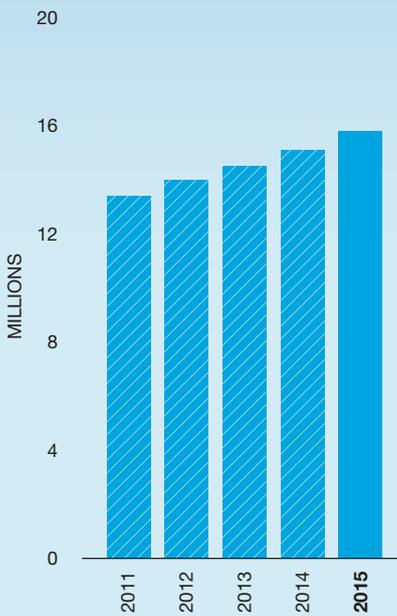
Given to the Auckland Airport Community Trust for projects in parts of South Auckland.



Financial summary

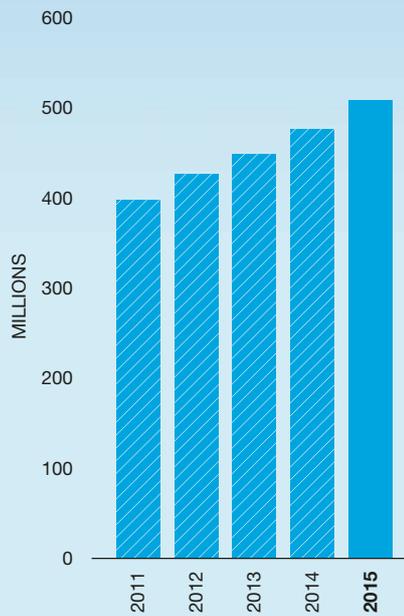
Passenger movements
15.8 million

↑ 5%



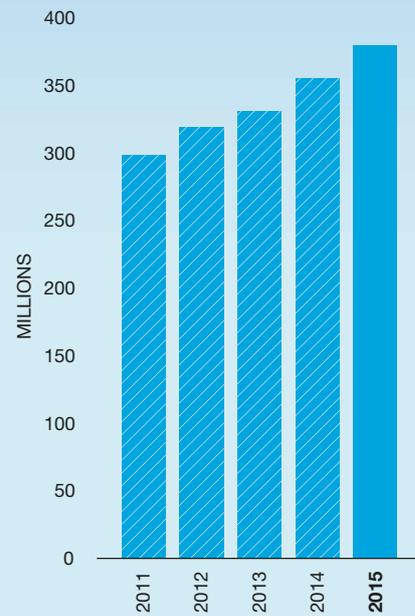
Revenue
\$508.5 million

↑ 6.9%



Operating EBITDAFI
\$380 million

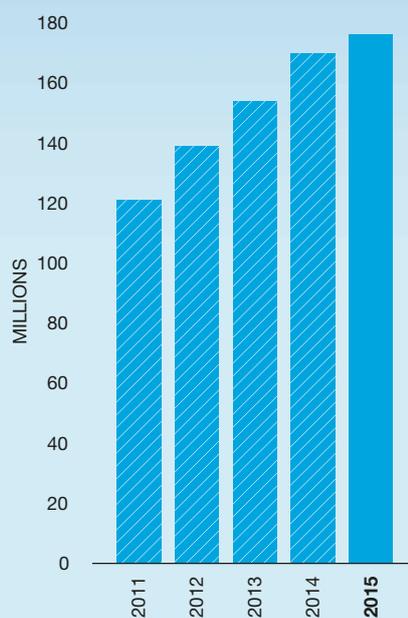
↑ 7%



Underlying profit

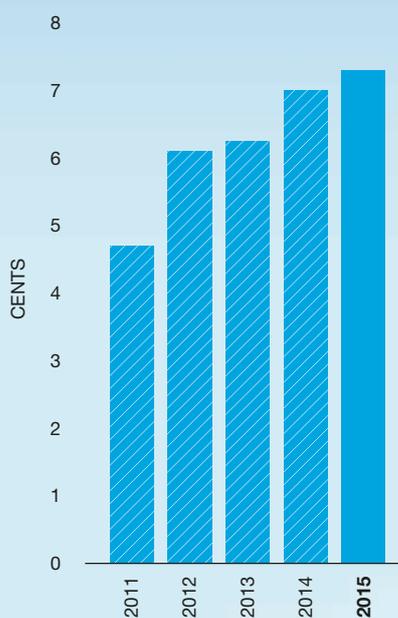
\$176.4 million

↑ 3.8%



Final dividend

7.3 cents per share



6.9%

Increase in aeronautical revenue from landing and passenger charges.

As previously stated, our total profit after tax for the 2015 financial year was up by 3.5% to \$223.5 million, while underlying profit after tax increased by 3.8% to \$176.4 million.

Revenue increased by 6.9% to \$508.5 million when compared against the previous financial year. Revenue growth was achieved, once again, through strong aeronautical performance (landing and passenger charges up by 6.9% to \$234.2 million) and property rentals (up by 8.9% to \$64.6 million).

Operating expenses increased by 6.6% to \$128.5 million this financial year, with asset maintenance and operations costs up by 9.7% to \$44.2 million, in part due to additional outsourcing costs for valet parking, Park&Ride and other services. As a result of continued strong company and share price performance, the accrual of short-term and long-term incentive provisions increased staff costs by 8.9% to \$46.3 million.

Once again, this financial year, the growth in revenue was higher than the growth in expenses. As a result, our earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) increased by 7% to \$380 million.

The total share of profit from our associates was \$12.5 million this financial year, an increase of 7.8% on the previous year. Our profit share from Queenstown Airport was up by 25.8% to \$2.1 million and from Novotel hotel up by 68.4% to \$3.2 million. Our profit share from North Queensland Airports decreased by 9.8% to \$7.2 million, reflecting a softening Australian economy, as well as the amortisation of fair value movements of interest rate derivatives that were closed out early and replaced by more favourable hedges going forward.

The final dividend is 7.3 cents per share. This results in a total dividend this financial year of 14.6 cents per share – reflecting an increase of 12.9% in underlying earnings per share for our investors.

The final dividend is imputed at the company tax rate of 28% and will be paid on 16 October 2015 to shareholders who are on the register at the close of business on 2 October 2015.

The table opposite shows how we reconcile reported profit after tax and underlying profit after tax for the 12 months ending 30 June 2015.

We have made the following adjustments to show underlying profit after tax for the 12-month periods ended 30 June 2015 and 30 June 2014:

- We have reversed out the impact of revaluations of investment property in 2015 and 2014. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy.
- Consistent with the approach to revaluations of investment property, we also have adjusted the revaluation of the building and services, runway, taxiways and aprons class of assets within property, plant and equipment for the 2015 financial year and land for the 2014 financial year. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations; this also makes comparisons between years difficult.
- The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted and where the counterparty credit risk on derivatives impacts accounting hedging relationships. These gains or losses, like investment property, are unrealised and interest rate derivative movements are expected to reverse out over their lives.
- To be consistent, we have also adjusted the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2015 and 2014.
- We also reverse the taxation impacts of the above adjustments in both the 2015 and the 2014 financial years.

	2015			2014		
	Reported earnings \$m	Adjustments \$m	Underlying earnings \$m	Reported profit \$m	Adjustments \$m	Underlying earnings \$m
EBITDAFI per income statement	380.0	–	380.0	355.2	–	355.2
Share of profit of associates	12.5	(1.8)	10.7	11.6	(2.9)	8.7
Derivative fair value decreases	(0.7)	0.7	–	0.6	(0.6)	–
Investment property fair value increase	57.2	(57.2)	–	42.0	(42.0)	–
Property, plant and equipment revaluation	(11.9)	11.9	–	4.1	(4.1)	–
Depreciation	(64.8)	–	(64.8)	(63.5)	–	(63.5)
Interest expense and other finance costs	(86.0)	–	(86.0)	(68.2)	–	(68.2)
Taxation expense	(62.8)	(0.7)	(63.5)	(65.9)	3.6	(62.3)
Profit after tax	223.5	(47.1)	176.4	215.9	(46.0)	169.9

QUEENSTOWN
AIRPORT

25.8% 

Our profit share was up to
\$2.1m.

PROPERTY
RENTAL

8.9% 

Our revenue growth was up to
\$64.6m.

NOVOTEL
HOTEL

\$68.4m 

Our profit share was up to
\$3.2m.

Future focus





Expanding our international terminal capacity

Investing in infrastructure is a key part of our 30-year vision. In the financial year ahead we will begin work to increase the capacity of the international terminal's Pier B by adding three more gates. This will double, from three to six, the number of A380 aircraft Auckland Airport can accommodate at any one time. Also, it will increase the number of B787-9 aircraft we can accommodate from six to nine. When the three new Pier B gates are not being used by A380 or B787-9 aircraft, they can be used by six smaller jet aircraft, such as the A320 or B737. This construction project follows a request from airlines for the airport to increase its gate capacity. We expect the capacity of Pier B to continue to increase over the next 30 years, with another four gates planned for its northern-side.

We continue to focus on the development of our future combined domestic and international terminal, and over the next 12 months we will progress the expansion of our international departure area. This project will significantly increase our emigration capacity and our ability to accommodate new passenger growth and border processes and its design will facilitate future development in line with our 30-year vision. We will use the opportunity provided by the expansion to further reform and expand our international departure retail experience.

Fifty year anniversary

On 29 January 2016 Auckland Airport will celebrate 50 years. In many ways, the history of our airport reflects the history of our city, region and country. Our 50th anniversary will be an opportunity to celebrate everything that we have achieved since 1966 and what we have planned for the future.



over the next 12 months we will continue our work on the expansion of our international departure area. This project will significantly increase our emigration capacity and our ability to accommodate new passenger growth

Governance



John Brabazon



Anna Cassels-Brown



Norris Carter

John Brabazon

John Brabazon became a director of Auckland Airport in November 2007. He has been an outstanding member of the Board for the past eight years and a committed champion of the company. His considerable financial knowledge and experience has helped to deliver strong financial outcomes for our investors. Also, as a passionate New Zealander, John has been a strong supporter of Auckland Airport's leadership role within the country's tourism industry. After eight years as a director John will retire at the annual meeting in October 2015 in line with the Board's policy on tenure. The Board is undertaking a search for a new director to fill the vacancy created by John's retirement.

Infrastructure governance

As the company focuses on the delivery of its 30-year vision for the airport of the future, the Board has increased its oversight of infrastructure investment. An ad hoc Board sub-committee has been established to undertake this important governance role. The sub-committee meets monthly to review and support decision-making in relation to the key infrastructure projects, such as the new combined domestic and international terminal and the northern runway.

Future Director

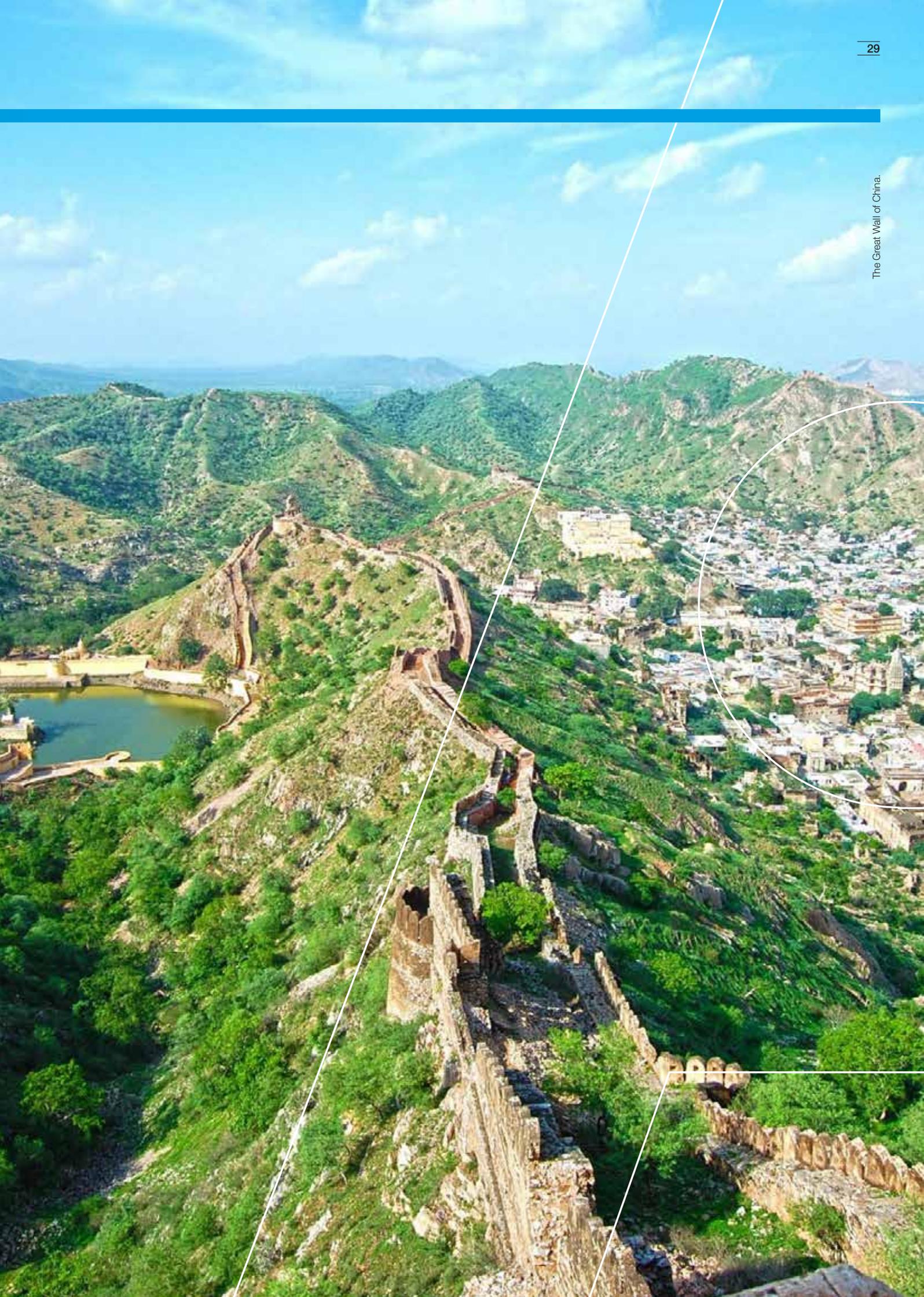
The Future Director programme helps promote diversity of leadership and the development of governance talent in New Zealand. The Future Director is able to participate actively in all Board and committee meetings but does not take part in the actual decision-making. Shelley Cave was Auckland Airport's Future Director in the 2015 financial year. The Board has valued and benefited greatly from Shelley's contributions to its discussions, and is confident that she will have a leading role in New Zealand's corporate governance in the future. The Board will be looking to appoint a new Future Director.

Leadership team changes

To ensure Auckland Airport continues to focus on its employees and further improves its approach on safety and operational risk management, the chief executive has appointed Anna Cassels-Brown as the company's general manager of people and safety. Anna has been recognised globally for her work in developing leadership culture and started at Auckland Airport in July 2015. Earlier in the year, Norris Carter was appointed as the general manager of aeronautical commercial. In this role, Norris leads our aviation business development, leveraging off his previous aviation experience with the Qantas Group, where he performed a range of senior executive roles over 14 years.

Long-term incentive plan

The human resources committee of the Board has reviewed the company's long-term incentive plan for executives. As a result of this review and in light of Auckland Airport's continuing strong performance and growth in share price, the Board is introducing a new plan to provide greater cost certainty and market alignment. It has also amended the previous plan by capping potential future rewards. The company's chief executive and his executives have agreed to this change, which is an appropriate way to reward them for increasing shareholder returns in the long-term.



The Board



Sir Henry van der Heyden
Chair, KNZM, BE (Hons)

Sir Henry van der Heyden was appointed a director of the company in 2009 and its chair in 2013. He is the chair of Auckland Airport's nominations committee.

His goal is to lead and support the growth of strong, internationally competitive and sustainable businesses which contribute to New Zealand's economy and the well-being of its people.

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

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

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



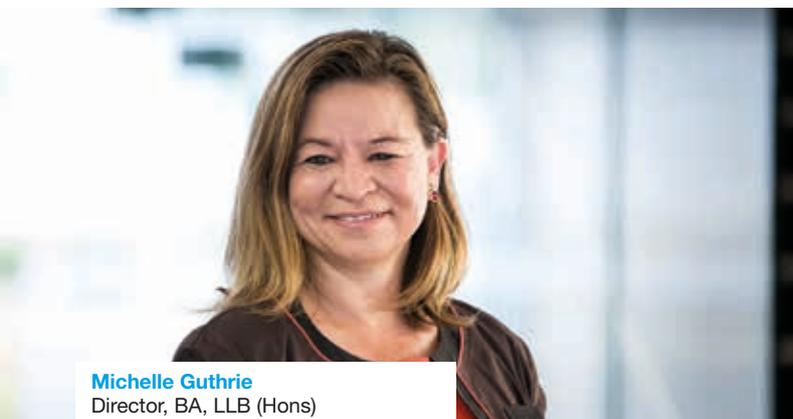
John Brabazon
Director, BCom, ACA, CFInstD, F FIN

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 more than 30 years' experience in the capital markets.

John is also a governing member of Round Mountain Oil, LLC in the United States of America, a director of Dairy Farms NZ Limited, and a director of Hilton Haulage Limited and several private companies.

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



Michelle Guthrie
Director, BA, LLB (Hons)

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

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

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



James Miller
Director, 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 premarketing 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, and a member of the Institute of Directors in New Zealand, and is a graduate of the Advanced Management Program at Harvard Business School in the United States of America. James is chair of NZX Limited and a director of its subsidiary New Zealand Clearing and Depository Corporation Limited. He is also a director of Accident Compensation Corporation and Mighty River Power Limited.



Richard Didsbury
Director, BE

Richard Didsbury was appointed a director of the company in 2007. He is the chair of Auckland Airport's safety and operational risk committee.

He graduated in engineering from The University of Auckland.

In 1992, Richard co-founded the Kiwi Income Property Trust, now the largest diverse property investment vehicle listed on the New Zealand stock exchange. It owns major assets such as the Sylvia Park retail complex and the Vero office building in Auckland. In 2014 the Trust was restructured as Kiwi Property Group Limited and Richard became one of its directors.

He is also a director of the Hobsonville Land Company Limited, 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 chair of the Committee for Auckland.

With his extensive property-development expertise, and his experience of transportation issues gained during his time on the board of Infrastructure Auckland, Richard offers complementary skills to the Board of Auckland Airport, especially as the company evolves its long-term masterplan.



Brett Godfrey
Director, BCom, ACA

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

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

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

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

He has been awarded the Australian Centenary Medal for his services 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.



Justine Smyth
Director, BCom, FCA

Justine Smyth was appointed a director of the company in 2012. She is the chair of Auckland Airport's human resources committee.

Justine is currently a director of Spark New Zealand Limited, chair of its human resources board sub-committee and member of Spark's audit and risk board sub-committee. She is chair of The New Zealand Breast Cancer Foundation.

Previous roles include as board member of the Financial Markets Authority, 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-sized enterprises.



Christine Spring
Director, BE, MSc Eng, MBA

Christine Spring was appointed a director of the company in 2014.

Christine is a civil engineer and has approximately 20 years' experience in aviation infrastructure development and strategic planning roles in New Zealand, Australia, United Arab Emirates, Asia and the Pacific Islands.

During her career to date, Christine's experience has been focused in strategy, stakeholder management and the planning of significant capital development projects in the aviation industry. Also, she was an executive of Auckland Airport before heading overseas to broaden her experience in 2002.

Christine's experience in aviation infrastructure and executive management is serving Auckland Airport well as it implements its 30-year vision for the airport of the future.

Christine is also a director of Holmes Consulting Group Limited, a specialist structural engineering consultancy.

Leadership team

Adrian Littlewood BA, LLB

Chief Executive

Adrian leads the team at Auckland Airport and is responsible for setting our strategic direction and working with the Board to drive growth in travel, trade and tourism. Prior to his appointment as chief executive in November 2012, Adrian was our general manager of retail and commercial, where he led strong growth and development of non-aeronautical revenue. Adrian joined the airport in 2009 and has a background in corporate law, strategy, marketing and management. He previously worked for Telecom New Zealand Limited, Baker & McKenzie and Bell Gully. Adrian is the chair of the New Zealand Airports Association and the co-chair of the Australia New Zealand Leadership Forum. He is a director of the Tourism Industry Association New Zealand and a former director of North Queensland Airports.

Phil Neutze BSc (Hons), MBA (Distn), CPA

Acting Chief Financial Officer

Phil is responsible for managing our corporate strategy, financial affairs, procurement, business technology, legal, share registry, risk management and insurance. He joined us in 2010 as our business intelligence manager and was acting chief financial officer for three months from September to November 2014. Phil has a background in science, investment banking, corporate finance and treasury. He is a Certified Practising Accountant.

Richard Barker BMS, KMI

General Manager
Retail and Commercial

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

Norris Carter BE (Hons), DipCompSc, MBA

General Manager
Aeronautical Commercial

Norris is responsible for the sustainable growth of air services, including the development of new and existing commercial relationships with airline, trade and tourism customers. He has more than 20 years' experience in airline, strategy and commercial management roles. Norris started his career at IBM in Sydney, then moved into strategy consulting at The Boston Consulting Group where he worked with international airline, energy and telecommunications clients. He then spent 14 years at Qantas, initially playing a leading role in the growth of its highly profitable frequent flyer business and, more recently, leading strategy, network planning and revenue management for the airline's international operations. Norris joined Auckland Airport in November 2014.

Anna Cassels-Brown BA, MInstD

General Manager
People and Safety
Acting General Manager
Corporate Affairs

Anna is responsible for Auckland Airport's strategy development and delivery for human resources and health and safety. She has been recognised globally for her work in developing leadership culture. Prior to Anna joining Auckland Airport in July 2015, she made a significant impact on people practices, organisational development and company culture in some of New Zealand's leading companies, including Fonterra, Air New Zealand, New Zealand Refining Company and, most recently, Landcorp Farming Limited. She has held a number of directorships through her career, and is currently a member of the governing Council of Northland Polytechnic. Also, Anna is our acting general manager of corporate affairs, responsible for corporate communications and government relations.

Jason Delamore BA, MBS

General Manager
Marketing and Communications

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

Graham Matthews BSc (Hons), MBA, FRICS

General Manager
Airport Development and Delivery

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

Judy Nicholl BEd, MEdLd (Hons)

General Manager
Aeronautical Operations

Judy has leadership responsibility for the operation of New Zealand's largest airport. Her team manages terminal and airfield operations, and our engineering, security and emergency support services. She also manages all commercial leasing, policy and compliance matters relating to airport operations. Judy joined us in 2006 and, prior to that, held human resource positions in Fonterra and the New Zealand Police. She is experienced in quality management facilitation, research and project management, and frontline management.

Mark Thomson BCom

General Manager
Property

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



Adrian Littlewood



Phil Neutze



Richard Barker



Norris Carter



Anna Cassels-Brown



Jason Delamore



Graham Matthews



Judy Nicholl



Mark Thomson

Financials

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Financial report 2015

Introduction

In the past financial year we have once again delivered strong results across the business, with execution on our strategy of Faster, Higher, Stronger, continuing to deliver excellent financial results. Our focus on growing travel markets has delivered significant aeronautical wins and our focus on strengthening our consumer business has delivered another year of strong growth in both our carparking and retail business units. We have also delivered productivity gains through our commitment to operating efficiency, while our focus on investing for the future has resulted in strong growth in investment property as well as important additions to our aeronautical infrastructure base.

Underlying earnings per share grew by 12.9% in the 2015 financial year, the fifth consecutive financial year in which Auckland Airport has achieved double-digit growth in underlying earnings per share.

This financial report analyses our results for the 2015 financial year and its key trends. It covers the following areas:

- 2015 Financial performance summary
- Key Financial performance measures
- 2015 Passenger volume analysis
- 2015 Aircraft volume analysis
- 2015 Financial performance analysis
- 2015 Financial position analysis
- 2015 Returns for shareholders

2015 Financial performance summary

This financial summary provides an overview of the financial results and key trends for the year ended 30 June 2015 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 2015 financial year is \$223.5 million – an increase of 3.5% on the prior year's reported profit of \$215.9

million. Excluding fair value changes, our underlying profit after taxation for the 2015 financial year is \$176.4 million, an increase of 3.8% on the prior year's underlying profit of \$169.9 million. The growth in underlying profit provides a limited measure of our performance due to the \$454.1 million capital return and associated increase in borrowing and interest expense towards the end of the 2014 financial year. Underlying earnings per share, a measure which corrects the impact of the capital return, are 14.82 cents per share, an increase of 12.9% over the previous financial year.

14.6 cents

DIVIDEND

Dividend of 14.6 cents per share

\$223.5m

PROFIT

Reported profit after taxation for the 2015 financial year is \$223.5 million – an increase of 3.5% on the prior year

The key financial results are shown below.

	2015 \$M	2014 \$M	% change
Income	508.5	475.8	6.9
Expenses	128.5	120.6	6.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	380.0	355.2	7.0
Reported profit after tax	223.5	215.9	3.5
Underlying profit after tax	176.4	169.9	3.8
Earnings per share (cents)	18.78	16.68	12.6
Underlying earnings per share (cents)	14.82	13.13	12.9
Ordinary dividends for the full year			
– cents per share	14.60	7.00 ¹	108.6
– \$ amount	173.8	83.3	108.6
Capital return			
– cents per share	–	34.30	–
– \$ amount	–	454.1	–

¹ During the 2014 financial year, Auckland Airport made a \$454 million capital return to shareholders (\$0.343 per share). Only a final dividend of 7 cents per share was declared for the financial year

In the 2015 financial year, revenue increased by 6.9% to \$508.5 million, in part due to strong aeronautical performance. Significant growth was also achieved in rental income (up by 8.9% or \$5.3 million) and carparking (up by 8.9% or \$3.8 million). Expense growth of 6.6% was slightly ahead of the previous financial year, reflecting, in part, costs associated with new revenue-generating initiatives such as valet carparking, increased Park&Ride services and the Emperor Lounge.

Underlying profit is how we measure our success

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

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

The table below shows how we reconcile reported profit after tax and underlying profit after tax for the 12 months ending 30 June 2015.



REVENUE

This financial year revenue increased by 6.9% to \$508.5 million

	2015			2014		
	Reported earnings \$M	Adjustments \$M	Underlying earnings \$M	Reported earnings \$M	Adjustments \$M	Underlying earnings \$M
EBITDAFI per Income Statement	380.0	–	380.0	355.2	–	355.2
Share of profit of associates	12.5	(1.8)	10.7	11.6	(2.9)	8.7
Derivative fair value increases (decreases)	(0.7)	0.7	–	0.6	(0.6)	–
Investment property fair value increases	57.2	(57.2)	–	42.0	(42.0)	–
Property, plant and equipment revaluation	(11.9)	11.9	–	4.1	(4.1)	–
Depreciation	(64.8)	–	(64.8)	(63.5)	–	(63.5)
Interest expense and other finance costs	(86.0)	–	(86.0)	(68.2)	–	(68.2)
Other taxation expense	(62.8)	(0.7)	(63.5)	(65.9)	3.6	(62.3)
Profit after tax	223.5	(47.1)	176.4	215.9	(46.0)	169.9

We have made the following adjustments to show underlying profit after tax for the 12-month periods ended 30 June 2015 and 30 June 2014:

- We have reversed out the impact of revaluations of investment property in 2015 and 2014. 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 to measure performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy.
- Consistent with the approach to revaluations of investment property, we also have reversed the revaluation of the buildings and services, runway, taxiways and aprons class of assets within property, plant and equipment for the 2015 financial year and land for the 2014 financial year. The fair value changes in property, plant and equipment are less frequent than are investment property revaluations; this also makes comparisons between years difficult.
- The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted and where the counterparty credit risk on derivatives impacts accounting hedging relationships. These gains or losses, like investment property, are unrealised and interest rate derivative movements are expected to reverse out over their lives.
- In addition, 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 2015 and 2014.
- We also allow for the taxation impacts of the above adjustments in both the 2015 and the 2014 financial years.

Key financial performance measures

Auckland Airport monitors a wide range of financial and non-financial performance measures. This year we have again considered the most relevant measures of financial performance against our four strategic themes. The four strategic themes in Faster, Higher, Stronger are:

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

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

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

STRATEGY	MEASURE	2015	2014	2013	% change 2014–2015	% change 2013–2014
→ GROW TRAVEL MARKETS	Total aircraft seat capacity					
	International aircraft seat capacity	10,816,313	10,499,819	10,141,014	3.0	3.5
	Domestic aircraft seat capacity	9,065,388	8,912,475	8,420,058	1.7	5.8
	Passenger movements					
	International passenger movements	8,124,435	7,687,836	7,317,324	5.7	5.1
	International transit passenger movements	493,756	462,560	438,354	6.7	5.5
	Domestic passenger movements	7,198,595	6,911,689	6,760,537	4.2	2.2
Maximum certified take-off weight (MCTOW)						
International MCTOW (tonnes)	4,556,051	4,339,266	4,104,679	5.0	5.7	
Domestic MCTOW (tonnes)	1,890,764	1,879,199	1,824,689	0.6	3.0	
→ STRENGTHEN OUR CONSUMER BUSINESS	Passenger spend rate (PSR)					
	Change in international Terminal PSR (%)	(1.0)	(2.4)	(1.1)		
	Average revenue per parking space (ARPS)					
	Increase in ARPS (%)	(5.4)	(0.6)	9.1		
→ BE FAST, EFFICIENT AND EFFECTIVE	Return on investment					
	After tax return on capital employed (%)	7.4	7.5	7.8		
	Passenger satisfaction/ Airport Service Quality					
	International	4.16	4.21	4.24	(1.2)	(0.7)
	Domestic	4.03	3.89	4.01	3.6	(3.0)
→ INVEST FOR FUTURE GROWTH	Rent roll (committed rental income as at 30 June)					
	Annual rent roll \$m (property division)	56.1	46.6	44.0	20.4	5.9
→ ALL	EBITDAFI	\$24.03	\$23.58	\$22.79	1.9	3.5
	EBITDAFI per passenger					

2015 Passenger volume analysis

Passenger volume is a significant driver of value for Auckland Airport with approximately 60% of aeronautical revenue coming from passenger charges. International passenger volumes have a greater impact on financial performance than domestic passenger volumes, with the aeronautical revenue generated by an international passenger approximately four times that generated by a domestic passenger.

	2015	2014	% change
Auckland Airport passenger movements			
International arrivals	4,077,749	3,847,132	6.0
International departures	4,046,686	3,840,704	5.4
International passengers excluding transits	8,124,435	7,687,836	5.7
Transit passengers	493,756	462,560	6.7
Total international passengers	8,618,191	8,150,396	5.7
Domestic passengers	7,198,595	6,911,689	4.2
Total passenger movements	15,816,786	15,062,085	5.0

International passenger numbers (excluding transits) increased by 5.7% in the 12 months to 30 June 2015. This was a very strong outcome across a broad range of routes and markets.

In the 2015 financial year, our work to grow travel markets with airlines and other travel partners continued the strong performance achieved in 2014. Capacity increases were announced across a range of markets, including both the high-growth Asian and South American regions, as well as traditional markets, such as North America and the Pacific Islands. China continued to shine, with announcements from China Southern Airlines, China Eastern Airlines and Air New Zealand all contributing to an impressive international capacity increase of 37.9%. This was achieved despite a slow first quarter of the financial year, which also saw our passenger mix change – in the 12 months to February 2015, we had a 60% increase in Chinese free and independent holiday travellers compared with the previous comparable period, while group visitors were up by 8%.

Markets representing 94.9% of Auckland Airport's international arrivals delivered positive growth for the year. Asian source markets such as China, Japan and Korea have excelled, with growth ranging between 10% and 29%.

Further development of our understanding of the drivers of passenger behaviour across interconnected networks has refined our thinking on route development, in particular how best to grow passenger numbers from markets without direct access. Throughout the year, we have worked closely with Tourism New Zealand, providing input on route and regional development for the Indian market. Results from this market have been very positive, with 33% growth for the financial year.

Also, indirect traffic flows have benefited our visitor arrivals from the United States. Increased United States carrier capacity into Australia and additional services between Auckland and North America, such as Air New Zealand's additional services to Hawaii and seasonal services to Los Angeles and Vancouver, have helped drive up United States passenger numbers by 10.6%. This is the second-largest increase in absolute terms from offshore residents after Chinese visitors. We have also continued to see further recovery in our traditional markets, with France and Germany growing 9.1% and 5.1% respectively.

PASSENGERS

International passenger numbers grew by 5.7% in the 12 months to 30 June 2015

The following table shows the top 10 **percentage** increases in arrivals by country of last permanent residence in the 2015 financial year:

Country of last permanent residence	2015 Auckland Airport arrivals	2014 Auckland Airport arrivals	% change	% of total 2015 arrivals	% of total 2014 arrivals
India	45,755	34,414	33.0	1.1	0.9
China	292,435	226,994	28.8	7.2	5.9
Taiwan	22,098	18,554	19.1	0.6	0.5
Japan	72,298	61,975	16.7	1.8	1.6
Hong Kong	29,631	25,514	16.1	0.7	0.7
Korea, Republic of	47,339	41,490	14.1	1.2	1.1
Tonga	16,863	14,794	14.0	0.4	0.4
Samoa	21,477	18,906	13.6	0.5	0.5
French Polynesia	17,259	15,301	12.8	0.4	0.4
United States of America	186,257	168,437	10.6	4.6	4.4

SOURCE: STATISTICS NEW ZEALAND

The table below shows the top 20 **volumes** of arrivals by country of last permanent residence in the 2015 financial year:

Country of last permanent residence	2015 Auckland Airport arrivals	2014 Auckland Airport arrivals	% change	% of 2015 arrivals	% of 2014 arrivals
New Zealand	1,870,840	1,789,076	4.6	46.0	46.7
Australia	776,350	759,093	2.3	19.1	19.8
China, People's Republic of	292,435	226,994	28.8	7.2	5.9
United States of America	186,257	168,437	10.6	4.6	4.4
United Kingdom	161,545	160,669	0.5	4.0	4.2
Japan	72,298	61,975	16.7	1.8	1.6
Germany	61,321	58,371	5.1	1.5	1.5
Korea, Republic of	47,339	41,490	14.1	1.2	1.1
India	45,755	34,414	33.0	1.1	0.9
Canada	44,700	43,013	3.9	1.1	1.1
Hong Kong	29,631	25,514	16.1	0.7	0.7
Singapore	28,859	27,865	3.6	0.7	0.7
France	28,038	25,709	9.1	0.7	0.7
Fiji	24,871	24,334	2.2	0.6	0.6
Malaysia	23,417	22,919	2.2	0.6	0.6
Taiwan	22,098	18,554	19.1	0.6	0.5
Samoa	21,477	18,906	13.6	0.5	0.5
French Polynesia	17,259	15,301	12.8	0.4	0.4
Netherlands	17,019	17,054	(0.2)	0.4	0.5
Other	298,855	292,457	2.2	7.3	7.6
Total Arrivals	4,070,364	3,832,145	6.2	100.00	100.00

SOURCE: STATISTICS NEW ZEALAND

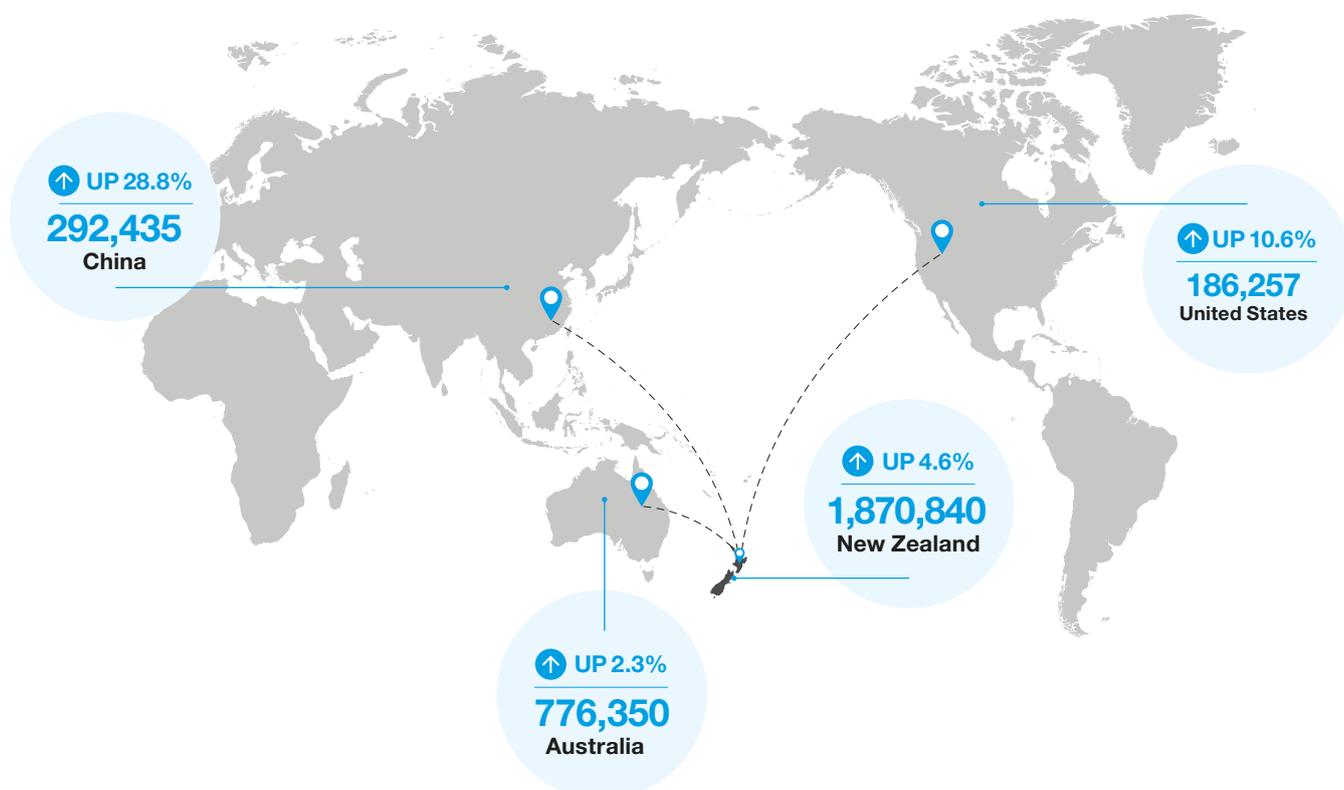
Overseas visitor arrivals by purpose of visit

The most common purposes of visit for international arrivals continue to be holidays (24.0%) and visiting friends and relatives (16.8%). The broad mix of purposes of visit through the airport, combined with a strong origin traffic base (New Zealand outbound), the attractiveness of New Zealand's destinations and the mix of source markets of inbound passengers, all support Auckland Airport's resilient passenger growth.

Purpose of visit	2015	2014	% change	% of total
Holiday/Vacation	975,232	882,960	10.5	24.0
Visit friends/relatives	685,472	659,408	4.0	16.8
Business/Conference	524,904	515,764	1.8	12.9
Education/Medical	94,250	89,382	5.5	2.3
Other (incl. not stated/not captured)	1,790,506	1,684,631	6.3	44.0

SOURCE: STATISTICS NEW ZEALAND

Top 4 arrivals into Auckland Airport by country of last permanent residence – 2015



2015 Aircraft volume analysis

Domestic passenger numbers also grew strongly in the 12 months to June 2015, up by 4.2%. A number of recent announcements by Air New Zealand and Jetstar indicate increasing competition for domestic passengers flying main trunk and regional routes.

	2015	2014	% change
Aircraft movements			
International aircraft movements	46,692	45,809	1.9
Domestic aircraft movements	104,264	107,454	(3.0)
Total aircraft movements	150,956	153,263	(1.5)
MCTOW (tonnes)			
International MCTOW	4,556,051	4,339,266	5.0
Domestic MCTOW	1,890,764	1,879,199	0.6
Total MCTOW	6,446,815	6,218,465	3.7

Total aircraft movements were 150,956, a decrease of 1.5% from the 2014 financial year, while MCTOW (maximum certificated take-off weight) increased to 6,446,815, up by 3.7%. Auckland Airport's airfield income is determined by the MCTOW of aircraft landing at the Airport. While MCTOW has continued to grow this financial year, the number of aircraft movements has decreased due to airlines using larger aircraft, predominantly on domestic routes, in order to increase capacity rather than offer additional flight frequency.

This continues the upgauging trend seen over several years. The use of larger aircraft extends the capacity of the existing runway, enabling greater growth in passenger numbers and MCTOW. For example, the announced capacity increases in regional services by Jetstar and Air New Zealand has been accompanied by a 2.7% decrease in runway movements due to aircraft upgauging over the last two financial years. This helps to drive greater productivity from our existing runway.

2015 Financial performance analysis

Revenue

Auckland Airport's total revenue was \$508.5 million in the 2015 financial year, an increase of \$32.7 million or 6.9% on the previous financial year. This was driven by a rise in total aeronautical revenue (including airfield income, passenger services charge (PSC) and aeronautical rental income) of 6.9%. Other areas of the business delivering solid growth included property rental growth of 10.8% and carparking income growth of 8.9%.

	2015 \$M	2014 \$M	% change
Operating revenue			
Airfield income	93.3	87.6	6.5
Passenger services charge	140.9	131.5	7.1
Retail income	132.0	127.1	3.9
Car park income	46.6	42.8	8.9
<i>Rental income – Property</i>	50.1	45.2	10.8
<i>Rental income – Aeronautical</i>	14.1	13.6	3.7
<i>Rental income – Retail</i>	0.4	0.5	(20.0)
Total rental income	64.6	59.3	8.9
Rates recoveries	5.1	4.6	10.9
Interest income	3.3	2.0	65.0
Other income	22.7	20.9	8.6
Total revenue	508.5	475.8	6.9

Airfield income

Airfield landing charges are based on the MCTOW of aircraft. Total MCTOW across international and domestic landings grew by 3.7% in the year to 30 June 2015. MCTOW growth, together with the 2.5% price increase in landing charges, delivered an airfield income increase of \$5.7 million or 6.5%. The 0.2% balance in the growth in revenue is due to aircraft upgauging into higher weight brackets, which results in a higher charge per tonne of MCTOW.

Passenger services charge

Passenger services charge (PSC) income increased by \$9.4 million or 7.2% in the year to 30 June 2015, in line with the published pricing schedule and passenger growth.

	2015 \$	2014 \$	2015 price change %	2016 \$	2016 price change %
International PSC (≥ two years)	15.62	15.39	1.5	15.85	1.5
Domestic PSC (≥ two years)	2.08	2.03	2.5	2.13	2.5
Transits PSC (≥ two years)	3.83	3.74	2.5	3.93	2.5

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 in the 2015 financial year was \$132.0 million, an increase of \$4.9 million or 3.9% on the previous financial year.

The specialty category continued its strong performance of recent years with passenger spend rates (PSR) growth of 25%. Together with food and beverage, the growth in specialty sales partly offset the impact of the changes in the inbound tobacco allowances, which were introduced in November 2014. In part due to those legislation changes, Auckland Airport's retail income per international passenger fell from \$16.05 in the 2014 financial year to \$15.77 this financial year. The impact of the tobacco change on our retail income has been consistent with our original estimates of approximately \$7 million to \$8 million per annum. Excluding the tobacco impact, PSR increased by 2.8% in 2015. The positive performance of the specialty category gives us confidence in the future performance of the expanded international departures area.

Carparking income

To drive carparking revenue, we continue to actively manage our marketing segments, such as business or leisure, and our price points through online and flexible pricing techniques. As a result of this proactive management, carparking revenue was \$46.6 million in the 2015 financial year, an increase of \$3.8 million or 8.9% on the previous comparable period.

We have continued to accommodate increasing carparking demand by releasing staff parking spaces close to the terminals for public parking. Over the year, 1,200 additional spaces were made available for travellers. As we increase the supply of car parks, the average revenue per space (ARPS) initially falls, declining by 5.4% in the 2015 financial year.

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 \$64.6 million in the 2015 financial year, an increase of 8.9% on the previous financial year. Property rental income (excluding aeronautical and retail rental income) was \$50.1 million in the 2015 financial year, an increase of \$4.9 million or 10.8% on the previous financial year. Income growth in the year was due to the full-year impact of recently completed developments, such as DHL, Panalpina and Hobbs Global Logistics, new assets such as the expansion of the ibis budget hotel and rent increases from the existing portfolio. The recently completed Duplex warehouse and other projects expected to be completed in the next six to eight months (such as the Coca-Cola Amatil and Flex 2 warehouses) will positively impact rental income in the 2016 financial year.

Other income

Other income includes utilities, such as the sale of electricity, gas and water reticulation, and transport licence fees. Total income from these sources was \$22.7 million, an increase of \$1.8 million or 8.6% on the previous financial year.

Expenses

Total operating expenses (excluding depreciation and interest) were \$128.5 million in the 2015 financial year, an increase of \$7.9 million or 6.6% on the previous period.

	2015 \$M	2014 \$M	% change
Operating expenses			
Staff	46.3	42.5	8.9
Asset management, maintenance and airport operations	44.2	40.3	9.7
Rates and insurance	10.7	10.1	5.9
Marketing and promotions	13.2	13.7	(3.6)
Professional services and levies	7.3	6.8	7.4
Other	6.8	7.2	(5.6)
Total operating expenses	128.5	120.6	6.6

Operating expenses

Over the years, Auckland Airport has undertaken a number of new activities to maximise EBITDA and shareholder value. Investing in alternative activities generates increased returns for shareholders but can impact our margins. Activities such as aeronautical route development and retail marketing spend, the ibis budget hotel, valet carparking and the Emperor Lounge generate lower contribution margins than do conventional airport activities, but they have driven solid EBITDA and shareholder value growth.

In the 2015 financial year, the rise in staff costs was due largely to a \$1.5 million increase in the short-term incentive accrual. Half of this increase can be attributed to a small under-accrual in the prior year, and the total amount reflects the very strong company performance over the past two years.

Asset management, maintenance and airport operations expenses have increased by \$3.9 million or 9.7% on the 2014 financial year. These increases have driven revenue growth as they are linked to increased activity in Park&Ride and the Emperor Lounge, as well as the new valet carparking service at the domestic and international terminals.

Rates and insurance expenses increased by \$0.6 million or 5.9% on the previous 12-month period. On average, rates increased by 9.4% across the portfolio with additional charges for newly developed investment property. Rates increases on developed investment property are matched by an offsetting increase in rates recoveries in other income. Insurance costs reduced by \$0.4 million, or 17.7%, over the 2015 financial year.

The decrease in marketing and promotions expenditure of \$0.5 million or 3.7% during this financial year, reflects a reduction in new commitments for route marketing. Nevertheless, route development continues to form an important part of Auckland Airport's Faster, Higher, Stronger business strategy and additional route marketing will take place when it can deliver increased passenger numbers.

Fees for professional services have increased in the 2015 financial year by \$0.5 million, or 7.4%, to \$7.3 million. The majority of this increase relates to increased research and planning for long-term growth at the airport. Investment in this area is likely to increase in the future as we prepare for growth across the business and associated infrastructure requirements.

Depreciation

Depreciation expense in the 2015 financial year was \$64.8 million, an increase of \$1.3 million or 2.1% on the previous period.

Interest

Interest expense was \$86.0 million in the 2015 financial year, an increase of \$17.8 million or 26.1% on the previous financial year. This reflects the first full year after the April 2014 capital restructure, with the previous financial year being affected by the increased debt for only three of the 12 months. The average cost of funds for the 2015 financial year has decreased from 5.95% to 5.79%, largely due to refinancing debt from historically higher rates.

Taxation

Taxation expense was \$62.8 million in the 2015 financial year, a decrease of \$3.1 million, or 4.7%, on the previous financial year. The profit before tax for the year ended 30 June 2015 contained a higher proportion of land revaluation increases related to investment property. This is non-taxable and resulted in less tax for the year, despite the \$4.5 million increase in profit before tax.

Share of profit from associates

Our total share of profit from associates in the 2015 financial year was \$12.5 million, comprising North Queensland Airports (NQA) (\$7.2 million), Tainui Auckland Airport Hotel Limited Partnership (TAAH) (\$3.2 million) and Queenstown Airport (\$2.1 million).

Included in the 2015 financial year's share of profit from associates of \$12.5 million (2014: \$11.6 million) is: NQA's fair valuation gain on investment property of \$1.6 million (2014: \$2.2 million) and its \$1.7 million fair valuation loss on financial instruments; TAAH's fair valuation gain on investment property of \$2.0 million (2014: \$0.6 million); and TAAH's fair valuation gain on financial instruments of \$0.1 million (2014: gain of \$0.1 million). Excluding these fair value changes, Auckland Airport's share of underlying profit from associates was \$10.7 million for the 2015 financial year (2014: \$8.7 million).

North Queensland Airports¹

	2015 AUDm	2014 AUDm	% change
Financial performance			
Total revenue	127.5	124.0	2.8
EBITDAFI	81.6	79.3	2.9
Total net profit after tax	26.7	29.6	(9.8)
Passenger performance			
Domestic passengers – Mackay	989,560	1,076,227	(8.1)
Domestic passengers – Cairns	4,041,241	3,948,094	2.4
International passengers (excluding transits) – Cairns	515,219	504,954	2.0
International passengers (including transits) – Cairns	616,970	608,177	1.4

¹ Extract from 100 percent of North Queensland Airports' company results.

Auckland Airport's 24.55% share of NQA's net profit after tax for the 2015 financial year was \$7.2 million, a decrease of \$0.9 million, or 9.8%, on the previous year. Excluding fair value gains on investment property and fair value losses on financial instruments, Auckland Airport's share of NQA's underlying profit increased to \$7.3 million, an increase of \$1.5 million, or 25.5%.

International passenger numbers increased by 1.5% at Cairns Airport for the 2015 financial year compared to the previous period. Domestic demand has continued to grow at Cairns Airport with a 2.4% increase in passenger numbers. The difficult conditions in Australia's mining industry continue to impact Mackay Airport passenger movements with a reduction of 8.1% on the previous financial year.

Auckland Airport received AUD 10.7 million in dividends from its investment in NQA during the 2015 financial year (including AUD 2.5 million declared and receivable as at 30 June 2015), compared with AUD 13.2 million in the 2014 financial year (including AUD 2.5 million declared and receivable as at 30 June 2014). The 9.8% decrease in net profit after tax reflects amortisation of fair value movements of interest rate derivatives that were closed out early and replaced by more favourable hedges going forward.

Queenstown Airport

	2015 \$M	2014 \$M	% change
Financial performance			
Total revenue	24.8	21.9	13.2
EBITDAFI	16.6	15.2	9.2
Total net profit after tax	8.3	6.6	25.8
Passenger performance			
Domestic passenger volume	1,000,713	940,477	6.4
International passenger volume	397,927	308,402	29.0
Total passengers	1,398,640	1,248,879	12.0

Auckland Airport's 24.99% share of Queenstown Airport's net profit after tax for the 2015 financial year was \$2.1 million, an increase of 25.8% on the previous financial year. Queenstown Airport's outstanding international passenger growth continued in the 2015 financial year, up another 29.0% on top of last financial year's growth of 27.6%. Domestic passenger numbers increased by a strong 6.4%. Profitability at Queenstown Airport increased by 25.8% in the 2015 financial year, again driven by strong international passenger growth.

Auckland Airport received a dividend of \$1.1 million from its investment in Queenstown Airport in the 2015 financial year, up from \$0.9 million in the previous 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 2015 financial year, Auckland Airport recorded a \$3.2 million share of profit from this investment, an increase of \$1.3 million, or 68.4%, compared with the previous financial year. However, excluding TAAH's fair valuation gains on investment property and financial instruments, Auckland Airport's share of underlying profit from this investment was \$1.3 million, an increase of \$0.1 million, or 8.3%, compared with the previous year.

The Novotel hotel's annual average occupancy rate for the 2015 financial year remains unchanged from last year at 87%.

Fair value changes

In the 2015 financial year, investment property fair value changes resulted in a gain in the income statement of \$57.2 million, compared with a gain of \$42.0 million in the previous financial year. This was due to improvements in lease terms during the period combined with firming of the capitalisation rates of the property portfolio, as well as improved land values for undeveloped land.

Also, as at 30 June 2015, the building and runway classes of assets within property, plant and equipment were revalued, resulting in an upward movement of \$97.4 million. These classes were revalued most recently as at 30 June 2011. The revaluation uplift includes a \$109.3 million increase recorded directly in other comprehensive income, offset by decreases of \$11.9 million recorded directly in the income statement.

2015 Financial position analysis

As at 30 June	2015 \$M	2014 \$M	% change
Non-current assets	5,014.1	4,660.2	7.6
Current assets	87.4	73.6	18.8
Total assets	5,101.5	4,733.8	7.8
Non-current liabilities	1,748.7	1,360.8	28.5
Current liabilities	309.9	454.3	(31.8)
Equity	3,042.9	2,918.7	4.3
Total equity and liabilities	5,101.5	4,733.8	7.8

As at 30 June 2015, our total assets amounted to \$5,101.5 million, an increase of \$367.7 million, or 7.8%, on the 2014 financial year. The increase is mainly due to revaluations in property, plant and equipment, derivatives and investment property.

Due to the increased use of United States Private Placement debt (USPP) and the strengthening United States dollar, there was an increase in the book value of United States dollar debt and the related cross-currency swap derivatives. These swaps convert a series of fixed United States dollar payments into a series of floating New Zealand dollar payments removing the risk of fluctuations in the exchange rate. The net book value increase for these derivatives related to currency movements was \$115.0 million and the total increase in USPP debt due to foreign exchange revaluations was \$120.0 million.

Shareholders' equity was \$3,042.9 million as at 30 June 2015, an increase of \$124.2 million, or 4.3%, on 30 June 2014. The movement in equity included a \$77.9 million increase to the property plant and equipment revaluation reserve due to revaluations of building and runway assets in the year.

Gearing, measured as debt to debt plus the market value of shareholders' equity, decreased to 22.5% as at 30 June 2015, from 24.7% as at 30 June 2014.

Capital expenditure

Category	\$M	Key projects
Aeronautical	68.3	International Terminal Level One redevelopment, Domestic Terminal space enhancement, Airport Emergency Services marine craft replacement, International Terminal baggage reclaim hall upgrade, Air New Zealand lounge redevelopment, Northern Runway project
Property	67.0	Timberly Road development, ibis hotel expansion, Hellmann warehouse development, Flex 2 building design and construction, Duplex warehouse development, Ceva Logistics building extension, The Landing precinct development, Fuji Xerox office and warehouse development
Retail/Car parking	8.1	Park&Ride carpark extension, International Terminal Level One redevelopment
Infrastructure and other	4.2	Mobile application, IT licences, IT network storage
Total	147.6	

Capital expenditure was \$21.8 million, or 17.3% more than the \$126.0 million guidance for the 2015 financial year, due to a particularly strong 12-month period of property development. There were a number of property projects completed during the financial year, several of which were secured or arose throughout the financial year and were, therefore, not included in last year's capital expenditure guidance. Examples of this include: the extension to the Ceva Logistics building; our new multi-tenant site at 11 Maurice Wilson Avenue; the Fuji Xerox showroom; and the Coca-Cola Amatil manufacturing facility.

The company is undertaking a number of projects to increase our ability to accommodate the growth in passenger numbers. For example, we are close to completion of an extension of the international baggage hall, which will deliver 40% more baggage-belt capacity. Work is continuing on the expansion of our international departure area, which will significantly increase the footprint of the outbound customs processing and security areas as well as passenger dwell and retail space.

Airlines recognise the need for adding gate capacity and have requested that the airport brings forward the expansion of the international terminal's Pier B. This expansion project is expected to be completed by the middle of the 2017 calendar year, and will deliver three more gates. This will double our A380 gate capacity and deliver a 50% increase in the number of gates that B787-9 aircraft can use. When these new gates are not being used by A380 or B787-9 aircraft, they can be used by six smaller jet aircraft.

Forecast capital expenditure for the 2016 financial year is expected to be between \$190 and \$205 million.

Category	Forecast 2016 \$M
Aeronautical	104
Property	73
Retail, carparking, infrastructure and other	20
Total capital expenditure	197

Borrowings

As at 30 June 2015, Auckland Airport’s total borrowings were \$1,722.5 million, an increase of \$215.6 million on 30 June 2014. The increase is partially due to higher levels of borrowings to fund capital expenditure throughout financial year 2015. Part of the increase in borrowings reflects the revaluation of USPP debt. United States dollar appreciation resulted in the USPP debt carrying value increasing by \$119.2 million.

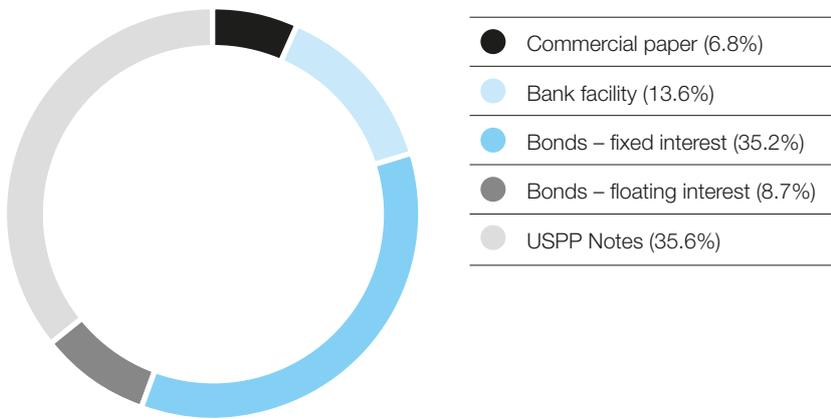
Auckland Airport’s borrowings include: commercial paper totalling \$117.6 million; USPP notes totalling \$613.4 million; drawn bank facilities totalling \$234.6 million; fixed rate bonds totalling \$606.9 million; and floating rate bonds totalling \$150.0 million.

Short-term borrowings, with a maturity of one year or less, accounted for \$217.6 million, or 12.6%, of total borrowings. This was a decrease on the previous year’s \$381.1 million. Current debt is made up of commercial paper and a \$100.0 million bond which matures in November 2015.

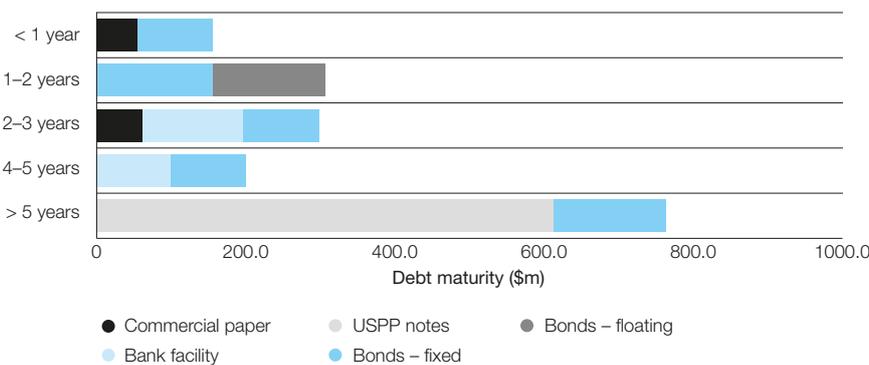
In November 2014, USD 250.0 million of USPP debt was drawn down. The debt has a 12-year term and a United States dollar coupon rate of 3.61%. USPP funds were used to repay the temporary bridge facilities established to fund the capital return to shareholders as well as the November 2014 bond maturity.

As at 30 June 2015, Auckland Airport had total bank facilities of \$454.6 million, of which \$234.6 million was drawn and \$220.0 million was available in standby capacity. As at 30 June 2015, total bank facilities included: a fully drawn \$145.0 million Bank of Tokyo facility; a fully drawn AUD 80.0 million Commonwealth Bank of Australia facility; and undrawn standby facilities of \$105.0 million from ANZ, \$80.0 million from Westpac and \$35.0 million from BNZ.

Borrowings by category



Debt maturity profile – as at 30 June 2014



The ANZ, Westpac and BNZ standby facilities all support our commercial paper programme, which has a balance of \$117.6 million as at 30 June 2015, and provide liquidity support for general working capital. As the commercial paper is supported by the bank facilities, the debt maturity profile chart above, as at 30 June 2015, includes the commercial paper in the 'less than one year' and 'two to three year' brackets, matching the maturities of the supporting facilities.

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. To complete the April 2014 capital return, the company issued a new USPP tranche in November 2014. Funds from the new 12-year issue were used to repay the short-term bridge loans and a maturing bond. This resulted in an increase in average maturity from 3.24 years as at 30 June 2014 to 4.89 years as at 30 June 2015.

In the past year, we have diversified our funding sources, maintained committed but undrawn bank 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 18.4 of the financial statements.

Auckland Airport has a foreign currency exposure via its investment in North Queensland Airports, from Australian to New Zealand dollars. Any movement in the value of this investment due to foreign currency translation is included in the foreign currency translation reserve (FCTR). As at 30 June 2015, Auckland Airport had AUD 80.0 million of bank facilities drawn as a partial hedge of the currency exposure on this investment. The foreign exchange movements on these bank facilities are also taken to the FCTR to partially offset the movements from the revaluation of the investment.

Key credit metrics

	2015	2014	% change
Debt/Debt + market value of equity (as at 30 June)	22.5%	24.7%	(8.9)
Debt/EBITDAFI (as at 30 June)	4.5	4.2	7.1
Funds from operations interest cover (as at 30 June)	3.9	4.5	(13.3)
Weighted average interest cost (as at 30 June)	5.79%	5.95%	(2.7)
Average debt maturity profile (as at 30 June, years)	4.89	3.24	50.9
Percentage of fixed borrowings (as at 30 June)	49.5%	58.6%	(15.5)

Capital structure and credit rating

As at 30 June 2015, Standard & Poor's (S&P) long-term credit rating of Auckland Airport was 'A- Stable' and the short-term credit rating was 'A2'. S&P maintained its rating and outlook on Auckland Airport at 'A- Stable'. S&P's 'A- Stable' rating reflects the strong ability of Auckland Airport to meet its financial commitments.

Cash flow

	2015 \$M	2014 \$M	% change
Cash flow summary			
Net cash inflow from operating activities	222.2	211.7	5.0
Net cash outflow from investing activities	(130.6)	(102.7)	27.2
Net cash outflow from financing activities	(94.5)	(136.8)	(30.9)
Net increase (decrease) in cash held	(2.9)	(27.8)	(89.6)

Net cash inflow from operating activities was \$222.2 million in the 2015 financial year, an increase of \$10.5 million, or 5.0%, on the previous financial year. The growth in net cash flow from operating activities was broadly in line with growth in earnings.

Net cash outflow applied to investing activities was \$130.6 million in the 2015 financial year, an increase of \$27.9 million, or 27.2%, on the previous financial year due to increased capital expenditure. The largest increase was the purchase of property, plant and equipment which grew by \$18.3 million.

Net cash outflow applied to financing activities was \$94.5 million in the 2015 financial year, a decrease of \$42.3 million, or 30.9%, on the previous financial year. Cash flows from financing activities for the 2014 financial year included a net increase in borrowings of circa \$400.0 million, largely to fund the April 2014 capital return. Cash flows from financing activities for the 2015 financial year included a net inflow from borrowings of approximately \$76.0 million to fund increased capital expenditure.

2015 Returns for shareholders

Dividend policy

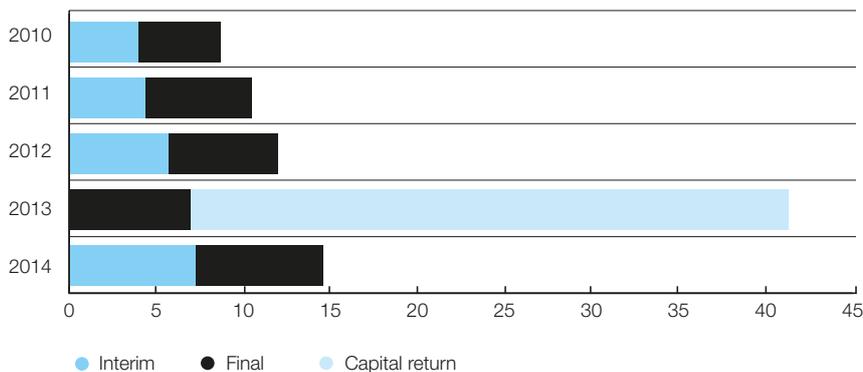
Auckland Airport's dividend policy is to pay 100% of underlying net profit after tax (excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items), noting that, in special circumstances, the directors may consider the payment of ordinary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

2015 dividend

The final dividend for the year ending 30 June 2015 is 7.30 cents per share compared to the final dividend of 7.00¹ cents per share in the 2014 financial year, an increase of 4.3%. As the 2014 financial year included a \$454.1 million capital return, a better metric for evaluating financial performance is underlying earnings per share (EPS), which increased by 12.9% in the 2015 financial year.

The 2015 final dividend will be paid on 16 October 2015 to shareholders on the register at the close of business on 2 October 2015. The dividend will carry full imputation credits at the company tax rate of 28%. In addition, the normal supplementary dividend, sourced from corresponding tax credits available to the company, will be paid to non-resident shareholders.

Distribution history



Share price performance and total shareholder returns

Once again, Auckland Airport has seen strong share price performance in the year to 30 June 2015, increasing from \$3.90, as at 30 June 2014, to \$4.94 as at 30 June 2015. Total shareholder return, including share price appreciation and final dividends relating to the 2015 financial year, is 30.4%.

Five year compound average total shareholder return

	Share price opening \$	Share price closing \$	Total dividend cps	Total return \$	Average Total shareholder return %
1 July 2010 to 30 June 2015	1.870	4.940	52.800	3.598	23.9%

¹ During the 2014 financial year, Auckland Airport made a \$454 million capital return to shareholders (\$0.343 per share). Only a final dividend of 7 cents per share was declared for the financial year.

Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$M	2014 \$M
Income			
Airfield income		93.3	87.6
Passenger services charge		140.9	131.5
Retail income		132.0	127.1
Rental income		64.6	59.3
Rates recoveries		5.1	4.6
Car park income		46.6	42.8
Interest income		3.3	2.0
Other income		22.7	20.9
Total income		508.5	475.8
Expenses			
Staff	5	46.3	42.5
Asset management, maintenance and airport operations		44.2	40.3
Rates and insurance		10.7	10.1
Marketing and promotions		13.2	13.7
Professional services and levies		7.3	6.8
Other expenses	5	6.8	7.2
Total expenses		128.5	120.6
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)			
		380.0	355.2
Share of profit of associates	8	12.5	11.6
Derivative fair value (decrease)/increase	18.2	(0.7)	0.6
Property, plant and equipment fair value revaluation	11(a)	(11.9)	4.1
Investment property fair value increase	12	57.2	42.0
Earnings before interest, taxation and depreciation (EBITDA)		437.1	413.5
Depreciation	11(a)	64.8	63.5
Earnings before interest and taxation (EBIT)		372.3	350.0
Interest expense and other finance costs	5	86.0	68.2
Profit before taxation		286.3	281.8
Taxation expense	7(a)	62.8	65.9
Profit after taxation attributable to owners of the parent		223.5	215.9
		Cents	Cents
Earnings per share:			
Basic and diluted earnings per share	10	18.78	16.68

The notes and accounting policies on pages 60 to 100 form part of and are to be read in conjunction with these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$M	2014 \$M
Profit for the year		223.5	215.9
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Net property, plant and equipment revaluation movement	11(a), 16(ii)	109.3	734.8
Tax on the property, plant and equipment revaluation reserve	16(ii)	(30.1)	–
Items that will not be reclassified to the income statement		79.2	734.8
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges:			
Fair value gains/(losses) recognised in the cash flow hedge reserve	16(iv)	(25.5)	(3.1)
Realised losses transferred to the income statement	16(iv)	9.2	8.7
Tax effect of movements in the cash flow hedge reserve	16(iv)	4.6	(1.6)
Total cash flow hedge movement		(11.7)	4.0
Movement in share of reserves of associates	8	1.7	8.4
Movement in foreign currency translation reserve	16(vi)	1.7	(7.0)
Items that may be reclassified subsequently to the income statement		(8.3)	5.4
Total other comprehensive income		70.9	740.2
Total comprehensive income for the year, net of tax attributable to the owners of the parent		294.4	956.1

The notes and accounting policies on pages 60 to 100 form part of and are to be read in conjunction with these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2015

		Issued and paid-up capital \$M	Cancelled share reserve \$M	Property, plant and equipment revaluation reserve \$M	Share- based payments reserve \$M	Cash flow hedge reserve \$M	Share of reserves of associates \$M	Foreign currency translation reserve \$M	Retained earnings \$M	Total \$M
For the year ended 30 June 2015	Notes									
At 1 July 2014		332.3	(609.2)	2,880.6	0.9	(14.0)	(2.1)	(8.5)	338.7	2,918.7
Profit for the year		–	–	–	–	–	–	–	223.5	223.5
Other comprehensive income/(loss)		–	–	79.2	–	(11.7)	1.7	1.7	–	70.9
Total comprehensive income/(loss)		–	–	79.2	–	(11.7)	1.7	1.7	223.5	294.4
Reclassification to retained earnings	16(ii)	–	–	(1.3)	–	–	–	–	1.3	–
Dividend paid	9	–	–	–	–	–	–	–	(170.2)	(170.2)
At 30 June 2015		332.3	(609.2)	2,958.5	0.9	(25.7)	(0.4)	(6.8)	393.3	3,042.9
For the year ended 30 June 2014										
At 1 July 2013		348.8	(171.6)	2,147.7	0.9	(18.0)	(10.5)	(1.5)	203.6	2,499.4
Profit for the year		–	–	–	–	–	–	–	215.9	215.9
Other comprehensive income/(loss)		–	–	734.8	–	4.0	8.4	(7.0)	–	740.2
Total comprehensive income/(loss)		–	–	734.8	–	4.0	8.4	(7.0)	215.9	956.1
Reclassification to retained earnings	16(ii)	–	–	(1.9)	–	–	–	–	1.9	–
Capital return and share cancellation	15, 16(i)	(16.5)	(437.6)	–	–	–	–	–	–	(454.1)
Dividend paid	9	–	–	–	–	–	–	–	(82.7)	(82.7)
At 30 June 2014		332.3	(609.2)	2,880.6	0.9	(14.0)	(2.1)	(8.5)	338.7	2,918.7

The notes and accounting policies on pages 60 to 100 form part of and are to be read in conjunction with these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2015

	Notes	2015 \$M	2014 \$M
Non-current assets			
Property, plant and equipment	11(a)	3,884.1	3,761.5
Investment properties	12	848.1	733.4
Investment in associates	8	163.6	158.4
Derivative financial instruments	18, 18.3	118.3	6.9
		5,014.1	4,660.2
Current assets			
Cash and cash equivalents	13	38.5	41.4
Trade and other receivables	14	36.6	29.0
Dividends receivable		2.8	2.7
Taxation receivable		9.5	–
Derivative financial instruments	18, 18.3	–	0.5
		87.4	73.6
Total assets		5,101.5	4,733.8

The notes and accounting policies on pages 60 to 100 form part of and are to be read in conjunction with these financial statements.

	Notes	2015 \$M	2014 \$M
Shareholders' equity			
Issued and paid-up capital	15	332.3	332.3
Reserves	16	2,317.3	2,247.7
Retained earnings		393.3	338.7
		3,042.9	2,918.7
Non-current liabilities			
Term borrowings	18.1	1,504.9	1,126.8
Derivative financial instruments	18, 18.3	22.2	33.1
Deferred tax liability	7(c)	220.3	200.2
Other term liabilities		1.3	0.7
		1,748.7	1,360.8
Current liabilities			
Accounts payable and accruals	17	88.8	69.5
Taxation payable		–	2.8
Derivative financial instruments	18, 18.3	1.7	–
Short-term borrowings	18	217.6	380.1
Provisions	21	1.8	1.9
		309.9	454.3
Total equity and liabilities		5,101.5	4,733.8

These financial statements were approved and adopted by the Board on 24 August 2015.

Signed on behalf of the Board by:



Sir Henry van der Heyden
Director, Chair of the Board



James Miller
Director, Chair of the Audit and Financial Risk Committee

The notes and accounting policies on pages 60 to 100 form part of and are to be read in conjunction with these financial statements.

Consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$M	2014 \$M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		500.6	471.6
Interest received		3.3	2.1
		503.9	473.7
Cash was applied to:			
Payments to suppliers and employees		(116.0)	(116.4)
Income tax paid		(79.5)	(79.1)
Interest paid		(86.2)	(66.5)
		(281.7)	(262.0)
Net cash flow from operating activities	6	222.2	211.7
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.3	–
Proceeds from sale of investment properties		0.5	–
Dividends from associate		13.1	16.8
		13.9	16.8
Cash was applied to:			
Purchase of property, plant and equipment		(79.0)	(60.7)
Interest paid – capitalised		(4.3)	(3.2)
Expenditure on investment properties		(61.2)	(55.6)
		(144.5)	(119.5)
Net cash flow applied to investing activities		(130.6)	(102.7)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings		565.8	450.0
		565.8	450.0
Cash was applied to:			
Capital return	15	–	(454.1)
Decrease in borrowings		(490.1)	(50.0)
Dividends paid	9	(170.2)	(82.7)
		(660.3)	(586.8)
Net cash flow applied to financing activities		(94.5)	(136.8)
Net increase/(decrease) in cash held		(2.9)	(27.8)
Opening cash brought forward		41.4	69.2
Ending cash carried forward	13	38.5	41.4

The notes and accounting policies on pages 60 to 100 form part of and are to be read in conjunction with these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2015

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 a Financial Markets Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Auckland Airport and its wholly owned subsidiaries and associates (the group). In total there are four subsidiaries in the group. Three of the subsidiaries are Auckland Airport Limited, Auckland Airport Holdings Limited and Auckland Airport Holdings (No.2) Limited. These subsidiaries hold the group's investments in North Queensland Airports (Cairns Airport and Mackay Airport in Queensland

Australia), Queenstown Airport in New Zealand and the Tainui Auckland Airport Hotel Limited Partnership which operates the Novotel hotel at Auckland Airport. The fourth subsidiary is the Auckland International Airport Limited Share Purchase Plan which is consolidated because the company has the power to govern the purchase plan due to the trustees of the purchase plan being employees of the company (refer note 23).

All the subsidiaries are incorporated in New Zealand.

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.

These financial statements were authorised for issue in accordance with a resolution of the directors on 24 August 2015.

2. Summary of significant accounting policies

a / Basis of preparation

Statutory base

These financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board and Debt Market Listing Rules. In accordance with the Financial Markets Conduct Act 2013, separate financial statements for Auckland International Airport Limited are no longer required to be prepared and presented.

Measurement base

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

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.

Presentation currency

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

Comparative information

Certain items within current assets and shareholders' equity in the statement of financial position have been aggregated to conform with the presentation of the current year.

Certain note disclosures have also been changed from the previous years to reduce complexity and improve readability.

b / Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. 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. The group did not adopt any new accounting standards, interpretation or amendments.

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 2015. These will be applied when they become mandatory. The significant items are:

- NZ IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes the current NZ IAS 39 requirements for hedge accounting. The group is yet to assess NZ IFRS 9's full impact. The group intends to apply the standard from 1 July 2018.

- NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after 1 January 2018. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts. Revenue is recognised when a customer obtains control of a good or service. The group is yet to assess NZ IFRS 15's full impact. The group will apply this standard from 1 July 2018.

d / Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the four subsidiaries over which the group has control.

On consolidation, all intercompany balances and transactions, income and expenses, and profit and losses resulting from transactions within the group have been eliminated in full.

e / Investments in associates

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

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

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

The results of North Queensland Airports that have an Australian dollar functional currency are translated to New Zealand dollars at an average exchange rate for the year. Assets (including goodwill) and liabilities are translated at the closing exchange rate at the balance date.

Exchange differences arising from the translation of the net investment in North Queensland Airport and of the foreign currency instruments designated as hedges of the net investment are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

f / Property, plant and equipment

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

Property, plant and equipment are initially recognised at cost.

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

Land, buildings and services, runway, taxiways and aprons and infrastructural assets are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Land, buildings and services, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the latest revaluation are carried at

cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance date.

Revaluations

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

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

Depreciation

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

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

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

g / Investment properties

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

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

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

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

2. Summary of significant accounting policies CONTINUED

investment property, the group accounts for such property as an investment property only subsequent to the date of change in use.

h / Impairment of non-financial assets

Property, plant and equipment and investments in associates are assessed for indicators of impairment at each reporting date.

i / Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed as incurred.

j / Financial instruments

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

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

Cash

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

Accounts receivable

Accounts receivable are recognised and carried at the original invoice amount less an allowance for impairment for any uncollectible amounts when there is objective evidence of impairment.

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.

Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method.

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

Derivative financial instruments

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

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

The hedging instruments are also remeasured to fair value. Gains and losses from both are taken to the income statement.

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

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.

k / 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 recognised as a reduction in shareholder equity.

l / Revenue recognition

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, on leases where the group is the lessor.

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

Interest income

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

Dividend income

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

m / 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 render services in exchange for shares or rights over shares ('equity-settled transactions') and/or cash settlements based on the price of the group's shares against performance targets ('cash-settled transactions').

The cost of the transactions is spread over the period which the employees provide services and become entitled to the awards.

Equity-settled transactions

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

Cash-settled transactions

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

n / Income tax and other taxes

Income tax

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

Deferred tax

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

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

Goods and services tax (GST)

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

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

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

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

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

b / Carrying value of property, plant and equipment

Judgement is required to determine whether the fair value of land, buildings and services, runway, taxiways and aprons and infrastructural assets has changed materially from the

last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment and the valuation methodologies and assumptions are disclosed in note 11.

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

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

4. Segment information

a / Identification of reportable segments

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

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

b / Types of services provided

Aeronautical

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

Retail

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

Property

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

c / Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2015 financial year accounted for 25.8 percent of external revenue (2014: 24.7 percent). The revenue from this customer is included in all three operating segments.

d / Geographical areas

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

	Aeronautical \$M	Retail \$M	Property \$M	Total \$M
Year ended 30 June 2015				
Income from external customers				
Airfield income	93.3	–	–	93.3
Passenger services charge	140.9	–	–	140.9
Retail income	–	132.0	–	132.0
Rental income	14.1	0.4	50.1	64.6
Rates recoveries	0.7	1.1	3.3	5.1
Car park income	–	46.6	–	46.6
Other income	7.7	9.0	2.2	18.9
Total segment income	256.7	189.1	55.6	501.4
Expenses				
Staff	21.1	3.7	2.0	26.8
Asset management, maintenance and airport operations	29.7	8.9	3.3	41.9
Rates and insurance	3.5	1.3	5.2	10.0
Marketing and promotions	8.8	3.3	0.7	12.8
Professional services and levies	2.4	0.7	0.5	3.6
Other expenses	1.2	1.1	1.4	3.7
Total segment expenses	66.7	19.0	13.1	98.8
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	190.0	170.1	42.5	402.6

	Aeronautical \$M	Retail \$M	Property \$M	Total \$M
Year ended 30 June 2014				
Income from external customers				
Airfield income	87.6	–	–	87.6
Passenger services charge	131.5	–	–	131.5
Retail income	–	127.1	–	127.1
Rental income	13.6	0.5	45.2	59.3
Rates recoveries	0.6	1.0	3.0	4.6
Car park income	–	42.7	0.1	42.8
Other income	7.1	8.6	1.7	17.4
Total segment income	240.4	179.9	50.0	470.3
Expenses				
Staff	21.5	3.4	2.1	27.0
Asset management, maintenance and airport operations	28.7	7.1	2.7	38.5
Rates and insurance	3.3	1.2	4.8	9.3
Marketing and promotions	9.4	3.4	0.6	13.4
Professional services and levies	2.5	0.5	0.6	3.6
Other expenses	1.5	0.9	1.3	3.7
Total segment expenses	66.9	16.5	12.1	95.5
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	173.5	163.4	37.9	374.8

e / Reconciliation of segment income to income statement:

	2015 \$M	2014 \$M
Segment income	501.4	470.3
Interest income	3.3	2.0
Other revenue	3.8	3.5
Total income	508.5	475.8

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

4. Segment information CONTINUED

f / Reconciliation of segment EBITDA to income statement:

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

	2015 \$M	2014 \$M
Segment EBITDA	402.6	374.8
Unallocated external operating income	7.1	5.5
Unallocated external operating expenses	(29.7)	(25.1)
Share of profit of associates	12.5	11.6
Depreciation	(64.8)	(63.5)
Derivative fair value (decrease)/increase	(0.7)	0.6
Property, plant and equipment revaluation	(11.9)	4.1
Investment property fair value increase	57.2	42.0
Interest expense and other finance costs	(86.0)	(68.2)
Profit before taxation	286.3	281.8

5. Profit for the year

	Notes	2015 \$M	2014 \$M
Staff expenses comprise:			
Salaries and wages		30.3	29.4
Employee benefits		4.3	2.9
Share-based payment plans	23	6.5	6.0
Defined contribution superannuation		1.2	1.0
Other staff costs		4.0	3.2
		46.3	42.5
Other income includes:			
Gain on foreign currency movements		0.3	–
Other expenses includes:			
Audit fees for statutory audit and half year review		0.2	0.2
Auditors' regulatory audit and AGM fees		0.1	0.1
Directors' fees		1.2	1.2
Bad and doubtful debts written off		0.2	–
Doubtful debts - change in provision		(0.1)	0.2
Loss on foreign currency movements		–	0.2
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		49.9	41.0
Interest on bank facilities and related hedging instruments		15.8	17.4
Interest on USPP notes and related hedging instruments		19.5	9.3
Interest on commercial paper and related hedging instruments		5.1	3.7
		90.3	71.4
Less capitalised borrowing costs	11(a), 12	(4.3)	(3.2)
		86.0	68.2
Interest rate for capitalised borrowings costs		5.79%	5.95%

The gross interest costs of bonds, bank facilities, USPP notes and commercial paper excluding the impact of interest rate hedges was \$86.3 million for the year ended 30 June 2015 (2014:\$66.4 million).

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

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

	2015 \$M	2014 \$M
Profit after taxation	223.5	215.9
Non-cash items:		
Depreciation	64.8	63.5
Bad debts and doubtful debts	0.1	0.2
Deferred taxation expense	(5.5)	(1.5)
Deferred taxation to equity	–	–
Equity accounted earnings from associates	(12.5)	(11.6)
Property, plant and equipment revaluation	11.9	(4.1)
Investment property fair value increase	(57.2)	(42.0)
Derivative fair value increase	0.7	(0.6)
Loss/(gain) on foreign currency movements	(0.3)	0.2
Items not classified as operating activities:		
(Gain)/loss on asset disposals	(0.3)	–
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	0.8	(4.5)
(Increase)/decrease in investment property retentions and payables	(4.8)	2.4
Items recognised directly in equity	1.0	(4.0)
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(7.6)	(2.2)
(Increase)/decrease in taxation payable	(12.3)	(7.6)
Increase/(decrease) in accounts payable	19.3	7.6
Increase/(decrease) in other term liabilities	0.6	–
Net cash flow from operating activities	222.2	211.7

7. Taxation

	2015 \$M	2014 \$M
a / Income tax expense		
The major components of income tax are:		
<i>Current income tax</i>		
Current income tax charge	69.5	68.4
Income tax over provided in prior year	(1.2)	(1.0)
<i>Deferred income tax</i>		
Movement in deferred tax	(5.5)	(1.5)
Total taxation expense	62.8	65.9
b / Reconciliation between prima facie taxation and tax expense		
Profit before taxation	286.3	281.8
Prima facie taxation at 28%	80.2	79.0
Adjustments:		
Share of associates' tax paid earnings	(2.6)	(2.7)
Revaluation with no tax impact	(13.7)	(9.7)
Income tax over provided in prior year	(1.2)	(1.0)
Other	0.1	0.3
Total taxation expense	62.8	65.9

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

7. Taxation CONTINUED

c / Deferred tax assets and liabilities

	Balance 1 July 2014 \$M	Movement in income \$M	Movement in other comprehensive income \$M	Balance 30 June 2015 \$M
Deferred tax liabilities				
Property, plant and equipment	166.8	(8.0)	30.1	188.9
Investment properties	41.8	3.6	–	45.4
Other	1.3	0.7	–	2.0
Deferred tax liabilities	209.9	(3.7)	30.1	236.3
Deferred tax assets				
Cash flow hedge	5.4	–	4.6	10.0
Provisions and accruals	4.3	1.7	–	6.0
Deferred tax assets	9.7	1.7	4.6	16.0
Net deferred tax liability	200.2	(5.5)	25.5	220.3

	Balance 1 July 2013 \$M	Movement in income \$M	Movement in other comprehensive income \$M	Balance 30 June 2014 \$M
Deferred tax liabilities				
Property, plant and equipment	173.1	(6.3)	–	166.8
Investment properties	36.7	5.1	–	41.8
Other	1.1	0.2	–	1.3
Deferred tax liabilities	210.9	(1.0)	–	209.9
Deferred tax assets				
Cash flow hedge	7.0	–	(1.6)	5.4
Provisions and accruals	3.8	0.5	–	4.3
Deferred tax assets	10.8	0.5	(1.6)	9.7
Net deferred tax liability	200.1	(1.5)	1.6	200.2

At 30 June 2015, the group had accumulated tax losses in Australia of AUD 53.8 million (30 June 2014: AUD 33.2 million) relating to the group's investment in North Queensland Airports. 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

	2015 \$M	2014 \$M
Imputation credits available for use in subsequent reporting periods at 30 June	(36.6)	(37.4)

8. Associates

a / 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.

The partnership has a balance date of 31 March 2015. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2015 and management accounts for the balance of the year to 30 June 2015.

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

Other transactions with the partnership are as follows:

	2015 \$M	2014 \$M
Rental income received	0.8	1.0
Facility hire fees paid	–	0.1
Future minimum rentals receivable under non-cancellable operating lease	10.4	10.7

b / Stapled Securities of North Queensland Airports

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

During the year ended 30 June 2015 Auckland Airport received directors' fees of \$0.2 million (2014: \$0.2 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 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.

c / 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 also pursue operational synergies and benefits in other areas such as aeronautical operations, retailing activities and property development. The group does not earn fees for the services provided by Auckland Airport's management staff under the strategic alliance agreement.

Queenstown Airport has contingent liabilities of \$2.7 million for a tax dispute. The group's share of Queenstown Airport's contingent liabilities is \$0.7 million (2014: \$2.4 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

8. Associates CONTINUED

Summary financial information

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

	Tainui Auckland Airport Hotel Limited Partnership		North Queensland Airports ¹		Queenstown Airport	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Revenue	23.2	21.7	137.1	137.5	24.8	21.9
EBITDA	7.7	8.4	93.8	97.2	16.6	15.2
Profit after taxation	4.6	4.9	28.7	32.8	8.3	6.6
Other comprehensive income (loss)	–	–	2.0	1.7	(0.6)	0.5
Total comprehensive income for the year	4.6	4.9	30.7	34.5	7.7	7.1
Distributions						
Repayment of partner contribution/ dividends received	(3.0)	(3.1)	(46.1)	(58.7)	(4.3)	(3.6)
Auckland Airport share of repayment of partner contribution/dividends received	(0.6)	(0.6)	(11.4)	(14.4)	(1.1)	(0.9)

1: The extract from the North Queensland Airports income statement has been converted from AUD to NZD at the average rates for the year ended 30 June, 2015: \$0.9303, 30 June 2014: \$0.9020.

	Tainui Auckland Airport Hotel Limited Partnership		North Queensland Airports ¹		Queenstown Airport	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Current assets	3.9	3.0	38.0	30.7	2.3	2.0
Non-current assets	52.4	53.9	748.5	702.6	197.7	185.3
Goodwill	–	–	258.8	248.7	–	–
Total assets	56.3	56.9	1,045.3	982.0	200.0	187.3
Current liabilities	4.0	3.1	46.3	48.5	4.7	4.2
Non-current liabilities	19.8	22.9	631.1	569.5	34.2	25.4
Shareholders' equity	32.5	30.9	367.9	364.0	161.1	157.7
Total equity and liabilities	56.3	56.9	1,045.3	982.0	200.0	187.3
Auckland Airport ownership	20.00%	20.00%	24.55%	24.55%	24.99%	24.99%
Auckland Airport share of shareholders' equity	6.5	6.2	90.3	89.4	40.3	39.4
Investment property revaluation	6.4	3.9	–	–	–	–
Goodwill	–	–	21.1	20.3	–	–
Gain on purchase	–	–	–	–	(0.9)	(1.0)
Subsequent adjustments made by associate	–	0.1	–	–	–	0.1
Carrying value of investment	12.9	10.2	111.4	109.7	39.4	38.5

1: The extract from the North Queensland Airports statement of financial position has been converted from AUD to NZD at the rate at 30 June 2015 \$0.8930, 30 June 2014: \$0.9291.

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

	Notes	2015 \$M	2014 \$M
Investment in associates at beginning of year		158.4	165.7
Share of profit of associates		12.5	11.6
Share of reserves of associates	16(v)	1.7	8.4
Share of dividends received and repayment of partner contribution		(13.1)	(15.9)
Foreign currency translation	16(vi)	4.1	(11.4)
Investment in associates at end of the period		163.6	158.4

9. Distribution to shareholders

	Dividend payment date	2015 \$M	2014 \$M
2013 final dividend of 6.25 cps	17 October 2013	–	82.7
2014 interim dividend	None declared	–	–
2014 final dividend of 7.00 cps	17 October 2014	83.3	–
2015 interim dividend of 7.30 cps	2 April 2015	86.9	–
Total dividends paid		170.2	82.7

In April 2014 the company completed a return of capital where one in ten shares were cancelled and \$3.43 per cancelled share was paid to shareholders. The company did not elect to pay an interim dividend at the same time as the capital return.

Supplementary dividends of \$10.2 million (2014: \$4.3 million) are not included in the above dividends as the company receives an equivalent tax credit from the Inland Revenue.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of \$223.5 million (2014: \$215.9 million).

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

	2015 Shares	2014 Shares
For basic earnings per share	1,190,127,831	1,294,148,462
Effect of dilution of share options	–	–
For dilutive earnings per share	1,190,127,831	1,294,148,462

The 2015 reported basic and diluted earnings per share is 18.78 cents (2014: 16.68 cents).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

11. Property, plant and equipment

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

Year end 30 June 2015	Land \$M	Buildings and services \$M	Infrastructure \$M	Runway, taxiways and aprons \$M	Vehicles, plant and equipment \$M	Total \$M
Balances at 1 July 2014						
At fair value	2,649.7	573.5	303.6	299.3	–	3,826.1
At cost	–	–	–	–	79.0	79.0
Work in progress at cost	–	23.1	10.6	37.3	16.8	87.8
Accumulated depreciation	–	(97.6)	(32.7)	(38.4)	(62.7)	(231.4)
Balances at 1 July 2014	2,649.7	499.0	281.5	298.2	33.1	3,761.5
Additions and transfers within property, plant and equipment	0.1	44.7	8.8	8.0	20.0	81.6
Transfers from/(to) investment property	7.9	0.6	–	–	–	8.5
Disposals	–	–	–	–	(0.1)	(0.1)
Revaluation recognised in property, plant and equipment revaluation reserve	–	80.1	–	29.2	–	109.3
Revaluation recognised in the income statement	–	(7.8)	–	(4.1)	–	(11.9)
Depreciation	–	(33.6)	(11.5)	(11.1)	(8.6)	(64.8)
Movement to 30 June 2015	8.0	84.0	(2.7)	22.0	11.3	122.6
Balances at 30 June 2015						
At fair value	2,657.7	548.8	320.1	279.3	–	3,805.9
At cost	–	–	–	–	92.6	92.6
Work in progress at cost	–	34.5	3.0	40.9	14.3	92.7
Accumulated depreciation	–	(0.3)	(44.3)	–	(62.5)	(107.1)
Balances at 30 June 2015	2,657.7	583.0	278.8	320.2	44.4	3,884.1

Year end 30 June 2014	Land \$M	Buildings and services \$M	Infrastructure \$M	Runway, taxiways and aprons \$M	Vehicles, plant and equipment \$M	Total \$M
Balances at 1 July 2013						
At fair value	1,912.1	546.5	286.2	298.4	–	3,043.2
At cost	–	–	–	–	70.0	70.0
Work in progress at cost	–	23.7	8.4	35.6	7.4	75.1
Accumulated depreciation	–	(65.4)	(21.4)	(25.4)	(55.9)	(168.1)
Balances at 1 July 2013	1,912.1	504.8	273.2	308.6	21.5	3,020.2
Additions and transfers within property, plant and equipment	0.1	26.5	19.2	2.6	18.6	67.0
Transfers from/(to) investment property	(1.4)	(0.1)	0.3	–	0.1	(1.1)
Disposals	–	–	–	–	–	–
Revaluation recognised in property, plant and equipment revaluation reserve	734.8	–	–	–	–	734.8
Revaluation recognised in the income statement	4.1	–	–	–	–	4.1
Depreciation	–	(32.2)	(11.2)	(13.0)	(7.1)	(63.5)
Movement to 30 June 2014	737.6	(5.8)	8.3	(10.4)	11.6	741.3
Balances at 30 June 2014						
At fair value	2,649.7	573.5	303.6	299.3	–	3,826.1
At cost	–	–	–	–	79.0	79.0
Work in progress at cost	–	23.1	10.6	37.3	16.8	87.8
Accumulated depreciation	–	(97.6)	(32.7)	(38.4)	(62.7)	(231.4)
Balances at 30 June 2014	2,649.7	499.0	281.5	298.2	33.1	3,761.5

Additions for the year ended 30 June 2015 include capitalised interest of \$2.8 million (2014: \$2.0 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

11. Property, plant and equipment CONTINUED

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

	Land \$M	Buildings and services \$M	Infrastructure \$M	Runway, taxiways and aprons \$M	Vehicles, plant and equipment \$M	Total \$M
Year end 30 June 2015						
At historical cost	133.4	811.4	265.0	290.7	92.6	1,593.1
Work in progress at cost	–	34.5	3.0	40.9	14.3	92.7
Accumulated depreciation	–	(467.6)	(107.3)	(172.4)	(62.5)	(809.8)
Net carrying amount	133.4	378.3	160.7	159.2	44.4	876.0
Year end 30 June 2014						
At historical cost	133.0	777.0	248.1	288.1	79.0	1,525.2
Work in progress at cost	–	23.1	10.6	37.3	16.8	87.7
Accumulated depreciation	–	(439.4)	(99.2)	(164.5)	(62.7)	(765.8)
Net carrying amount	133.0	360.7	159.4	160.9	33.1	847.1

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

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

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

The group revalued buildings and services, runway, taxiways and aprons at 30 June 2015. Those assets were independently valued by Opus International Consultants Limited (Opus), a multi-disciplinary engineering consultancy company. Buildings and services, runway, taxiways and aprons were previously revalued as at 30 June 2011 by Opus.

At 30 June 2015, the assessment is that there is no material change in the fair value of land and infrastructure. Land was previously revalued as at 30 June 2014 by Colliers International Limited (Colliers), Savills Limited (Savills), and Opus International Consultants Limited (Opus). Infrastructure was previously revalued as at 30 June 2011 by Opus.

Fair value measurement

The valuers use different approaches for valuing different asset groups. Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value. Assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. The valuation methodologies used in the buildings and services, runway, taxiways and aprons revaluation as at 30 June 2015 are consistent with the valuation methodologies used in the last valuation as at 30 June 2011.

The group's land, buildings and services, infrastructure, runway, taxiways and aprons are all categorised as Level 3 in the fair value hierarchy as described in note 18.3. During the year there were no transfers between the levels of the fair value hierarchy.

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

Asset valuation approach	Inputs used to measure fair value	2015		2014	
		Range of significant unobservable inputs	Weighted average	Range of significant unobservable inputs	Weighted average
Land					
Airfield land, including land for runway, taxiways, aprons and approaches Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use and direct sales comparison.	Rate per sqm prior to holding costs (excluding approaches)	\$76–\$134	\$101	\$76–\$134	\$101
	Holding costs per sqm (excluding approaches)	\$28–\$49	\$37	\$28–\$49	\$37
	Holding period (excluding approaches)	5.0 years	NA	5.0 years	NA
	Airfield land discount rate	9.00%	NA	9.00%	NA
	Rate per sqm (approaches)	\$7–\$105	\$18	\$7–\$105	\$18
Reclaimed land seawalls Optimised depreciated replacement cost.	Unit costs of seawall construction per sqm	\$5,250–\$9,950	\$7,600	\$5,250–\$9,950	\$7,600
	Unit costs of reclamation per sqm	\$83–\$152	\$106	\$83–\$152	\$106
Aeronautical land, including land associated with aircraft, freight and terminal uses Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions and direct sales comparison.	Rate per sqm (excluding commercially leased assets)	\$58–\$450	\$117	\$58–\$450	\$117
	Market rent (per sqm) – average	\$41–\$318	\$99	\$41–\$318	\$99
	Market capitalisation rate – average	5.25%–8.61%	7.17%	5.25%–8.61%	7.17%
	Terminal capitalisation rate	7.75%–9.00%	8.37%	7.75%–9.00%	8.37%
	Discount rate	9.00%–9.50%	9.16%	9.00%–9.50%	9.16%
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.	Rental growth rate (per annum)	2.50%–3.40%	2.54%	2.50%–3.40%	2.54%
	Discount rate	9.50%–12.50%	12.14%	9.50%–12.50%	12.14%
	Terminal capitalisation rate	8.00%–8.75%	8.65%	8.00%–8.75%	8.65%
	Revenue growth rate (per annum)	2.03%–3.50%	3.00%	2.03%–3.50%	3.00%
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.	Market capitalisation rate	8.00%–8.75%	8.65%	8.00%–8.75%	8.65%
	Discount rate	9.50%–18.50%	13.50%	9.50%–18.50%	13.50%
	Terminal capitalisation rate	9.50%–9.50%	9.50%	9.50%–9.50%	9.50%
	Revenue growth rate (per annum)	3.34%–3.86%	3.83%	3.34%–3.86%	3.83%
Other land Direct sales comparison.	Market capitalisation rate	9.50%–9.50%	9.50%	9.50%–9.50%	9.50%
	Rate per sqm	\$13–\$50	\$44	\$13–\$50	\$44

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

11. Property, plant and equipment CONTINUED

Asset valuation approach	Inputs used to measure fair value	2015		2014	
		Range of significant unobservable inputs	Weighted average	Range of significant unobservable inputs	Weighted average
Buildings and services					
Terminal buildings					
Optimised depreciated replacement cost.	Unit costs of construction per sqm	\$2,491–\$8,349	\$6,016	\$1,760–\$6,323	\$5,290
Other buildings					
Optimised depreciated replacement cost.	Unit costs of construction per sqm	\$636–\$2,374	\$1,282	\$570–\$2,630	\$1,310
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost.	Unit costs of pipe construction per m	\$90–\$1,680	\$435	\$90–\$1,680	\$435
Electricity					
Optimised depreciated replacement cost.	Unit costs of electrical cabling construction m	\$120–\$324	\$206	\$120–\$324	\$206
Roads					
Optimised depreciated replacement cost.	Unit costs of road and footpaths construction per sqm	\$76–\$121	\$110	\$76–\$121	\$110
Other infrastructure assets					
Optimised depreciated replacement cost.	Unit costs of navigation aids and lights	\$3,000–\$7,000	\$5,900	\$3,000–\$7,000	\$5,900
	Unit costs of fuel pipe construction per m	\$2,620–\$3,750	\$3,200	\$2,620–\$3,750	\$3,200
Runway, taxiways and aprons					
Optimised depreciated replacement cost.	Unit costs of concrete pavement construction per sqm	\$459–\$737	\$587	\$400–\$663	\$566
	Unit costs of asphalt pavement construction per sqm	\$108–\$237	\$142	\$110–\$166	\$153

The valuation inputs for buildings and services, and runway, taxiways and aprons are from the 2015 valuation, the valuation inputs for land are from the 2014 valuation and the valuation inputs for infrastructure are from the 2011 valuation.

Description of different valuation approaches

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

The table below summarises each registered valuers valuation of property, plant and equipment:

Asset classification	Valuer	Fair value at 30 June 2015 \$M	Fair value at 30 June 2014 \$M
Airfield land, including land for runway, taxiways, aprons and approaches	Savills	668.4	668.4
Reclaimed land seawalls	Opus	194.3	194.3
Aeronautical land, including land associated with aircraft, freight and terminal uses	Savills	228.6	228.5
Land associated with car park facilities	Colliers	390.2	390.2
Land associated with retail facilities within terminal buildings	Colliers	1,135.5	1,135.5
Other land	Savills	40.7	32.8
Terminal buildings	Opus	472.2	424.0
Other buildings	Opus	110.8	75.0
Water and drainage	Opus	114.0	115.7
Electricity	Opus	47.1	48.6
Roads	Opus	42.5	67.9
Other infrastructure assets	Opus	75.2	49.2
Runway, taxiways and aprons	Opus	320.2	298.3
Assets carried at fair value		3,839.7	3,728.4
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	44.4	33.1
Balance at 30 June		3,884.1	3,761.5

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

11. Property, plant and equipment CONTINUED

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

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

12. Investment properties

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

	Retail and service \$M	Industrial \$M	Vacant land \$M	Other \$M	Total \$M
Year end 30 June 2015					
Balance at the beginning of the year	156.8	296.9	224.8	54.9	733.4
Additions – subsequent expenditure	6.8	32.5	0.6	2.4	42.3
Additions – acquisitions or development	0.5	12.3	10.0	0.9	23.7
Transfers from (to) property, plant and equipment (note 11)	–	(2.3)	(6.2)	–	(8.5)
Transfers within investment property	–	13.7	(13.7)	–	–
Investment property fair value increase	11.2	24.9	19.1	2.0	57.2
Net carrying amount	175.3	378.0	234.6	60.2	848.1
Year end 30 June 2014					
Balance at the beginning of the year	138.2	259.5	188.1	50.1	635.9
Additions – subsequent expenditure	0.1	–	–	0.4	0.5
Additions – acquisitions or development	7.5	25.4	19.1	1.9	53.9
Transfers from (to) property, plant and equipment (note 11)	(0.4)	–	1.4	0.1	1.1
Investment property fair value increase	11.4	12.0	16.2	2.4	42.0
Net carrying amount	156.8	296.9	224.8	54.9	733.4

Additions for the year ended 30 June 2015 include capitalised interest of \$1.5 million (2014: \$1.3 million).

The group's investment properties are all categorised as Level 3 in the fair value hierarchy, as described in note 18.3.

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

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

The valuation methodologies are consistent with prior year.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

12. Investment properties CONTINUED

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

Asset classification and valuation approach	Inputs used to measure fair value	2015		2014	
		Range of significant unobservable inputs	Weighted average	Range of significant unobservable inputs	Weighted average
Retail and service					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	Market rent (per sqm)	\$39–\$584	\$207	\$39–\$584	\$202
	Market capitalisation rate	6.00%–9.00%	6.80%	4.00%–9.00%	7.09%
	Terminal capitalisation rate	6.75%–9.00%	7.52%	6.75%–9.25%	7.81%
	Discount rate	7.50%–9.75%	8.43%	7.75%–10.25%	8.93%
	Rental growth rate (per annum)	2.42%–3.10%	2.69%	2.36%–2.90%	2.61%
Industrial					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	Market rent (per sqm)	\$75–\$261	\$110	\$66–\$266	\$113
	Market capitalisation rate	5.28%–9.13%	7.33%	6.75%–9.44%	7.74%
	Terminal capitalisation rate	6.63%–10.00%	7.67%	7.25%–9.75%	8.08%
	Discount rate	8.25%–10.75%	8.95%	8.50%–11.00%	9.32%
	Rental growth rate (per annum)	2.23%–2.75%	2.03%	2.36%–3.00%	2.60%
Vacant land					
Direct sales comparison and residual value.	Rate per sqm	\$8–\$521	\$78	\$8–\$521	\$71
Other					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions.	Market rent (per sqm)	\$196–\$460	\$306	\$196–\$460	\$307
	Market capitalisation rate	6.75%–8.00%	7.48%	7.00%–8.25%	7.77%
	Terminal capitalisation rate	7.25%–8.50%	7.92%	8.00%–8.75%	8.48%
	Discount rate	8.75%–9.50%	8.96%	9.00%–9.75%	9.30%
	Rental growth rate (per annum)	2.50%–2.75%	1.54%	2.38%–2.50%	2.44%

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

	2015 \$M	2014 \$M
Colliers International Limited	295.4	277.2
CB Richard Ellis Limited	252.5	232.8
Savills Limited	278.5	214.6
Investment property carried at cost	21.7	8.8
Total fair value of investment properties	848.1	733.4

The investment properties assigned to valuers are rotated across the portfolio every three years with the last rotation in June 2013. All valuers are registered valuers and industry specialists in valuing these types of investment properties.

Income and expenses related to investment property

	2015 \$M	2014 \$M
Rental income for investment properties	37.0	32.4
Recoverable cost income	4.6	4.0
Direct operating expenses for investment properties that derived rental income	(5.6)	(4.9)
Direct operating expenses for investment properties that did not derive rental income	(0.4)	(0.4)

13. Cash and cash equivalents

	2015 \$M	2014 \$M
Short-term deposits	33.7	38.5
Cash and bank balances	4.8	2.9
	38.5	41.4

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 3.25 percent to 4.25 percent (2014: at a rate of 2.50 percent to 4.06 percent).

14. Trade and other receivables

	2015 \$M	2014 \$M
Trade receivables	4.4	5.5
Less: Provision for doubtful debts	(0.4)	(0.5)
Net trade receivables	4.0	5.0
Prepayments	7.0	5.4
Revenue accruals and other receivables	25.6	18.6
	36.6	29.0

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. Movements in the provision for doubtful debts have been included in other expenses in the income statement. No individual amount within the provision for doubtful debts is material.

15. Issued and paid-up capital

	2015 \$M	2014 \$M	2015 Shares	2014 Shares
Opening number issued and paid-up capital at 1 July	332.3	348.8	1,190,126,487	1,322,371,645
Shares fully paid and allocated to employees by employee share scheme	–	–	1,620	2,700
Shares issued to employee share scheme	–	–	–	–
Shares cancelled as part of capital return	–	(16.5)	–	(132,247,858)
Closing issued and paid-up capital	332.3	332.3	1,190,128,107	1,190,126,487

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.

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 2015 the number of shares held by the Employee Share Purchase Plan was 370,390 (2014: 358,420).

On 12 February 2014 shareholders approved a planned capital return by way of a 1:10 share cancellation and a payment of \$3.43 for each share cancelled at a total cost of \$454.1 million. The capital return was paid to shareholders on 14 April 2014. The capital return has been applied as a reduction of issued and paid-up capital of \$16.5 million, representing the estimated share capital attributable to the shares purchased, and the balance of \$437.6 million was applied against the cancelled share reserve.

Supplementary dividends of \$15.9 million were paid on the capital return. This amount has not been included in the above capital return as the company receives an equivalent tax credit from the Inland Revenue.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

16. Reserves

i / Cancelled share reserve

	2015 \$M	2014 \$M
Balance at 1 July	(609.2)	(171.6)
Shares cancelled as part of capital return	–	(437.6)
Balance at 30 June	(609.2)	(609.2)

The cancelled share reserve records the premium above paid-up share capital incurred on the return of capital to shareholders and on-market buy-backs of ordinary shares. The capital return in April 2014 as detailed in note 15 has resulted in a reduction of issued and paid-up capital of \$16.5 million, representing the estimated share capital attributable to the shares purchased, and the balance of \$437.6 million applied against the cancelled share reserve.

ii / Property, plant and equipment revaluation reserve

	2015 \$M	2014 \$M
Balance at 1 July	2,880.6	2,147.7
Reclassification to retained earnings	(1.3)	(1.9)
Revaluation	109.3	734.8
Movement in deferred tax	(30.1)	–
Balance at 30 June	2,958.5	2,880.6

iii / Share-based payments reserve

	2015 \$M	2014 \$M
Balance at the beginning and end of the year	0.9	0.9

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

iv / Cash flow hedge reserve

	2015 \$M	2014 \$M
Balance at 1 July	(14.0)	(18.0)
Fair value change in hedging instrument	(25.5)	(3.1)
Transfer to income statement	9.2	8.7
Movement in deferred tax	4.6	(1.6)
Balance at 30 June	(25.7)	(14.0)

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

	2015 \$M	2014 \$M
Balance at 1 July	(2.1)	(10.5)
Share of reserves of associates	1.7	8.4
Balance at 30 June	(0.4)	(2.1)

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

vi / Foreign Currency Translation Reserve

	2015 \$M	2014 \$M
Balance at 1 July	(8.5)	(1.5)
Fair value change in hedging instrument	(2.4)	4.4
Foreign currency translation	4.1	(11.4)
Balance at 30 June	(6.8)	(8.5)

17. Accounts payable and accruals

	2015 \$M	2014 \$M
Employee entitlements	6.2	3.3
Phantom option plan accrual (refer note 23)	10.0	6.8
GST payable	2.5	2.9
Property plant and equipment retentions and payables	14.9	15.7
Investment property retentions and payables	10.9	6.1
Trade payables	3.3	4.1
Interest payables	13.6	12.5
Other payables and accruals	27.4	18.1
Total accounts payable and accruals	88.8	69.5

The above balances are unsecured and are usually paid within 30 days of recognition.

Amounts owing to the related parties at 30 June 2015 are \$0.2 million (2014: \$0.2 million).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

18. Financial assets and liabilities

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

	Notes	2015 \$M	2014 \$M
Current financial assets			
Loan and receivables			
Cash and cash equivalents	13	38.5	41.4
Trade and other receivables		29.6	23.6
Dividends receivable		2.8	2.7
		70.9	67.7
Designated as a hedge relationship			
Derivative financial instruments	18.3	–	0.5
Total current financial assets		70.9	68.2
Non-current financial assets			
Designated as a hedge relationship			
Derivative financial instruments	18.3	114.9	3.0
Fair value through profit and loss			
Derivative financial instruments	18.3	3.4	3.9
Total non-current financial assets		118.3	6.9
Total financial assets		189.2	75.1
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals		88.8	69.5
Short-term borrowings	18.1	217.6	380.1
Provisions		1.8	1.9
		308.2	451.5
Designated as a hedge relationship			
Derivative financial instruments	18.3	1.7	–
Total current financial liabilities		309.9	451.5
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18.1	1,504.9	1,126.8
Other term liabilities		1.3	0.7
		1,506.2	1,127.5
Designated as a hedge relationship			
Derivative financial instruments	18.3	22.2	33.1
Total non-current financial liabilities		1,528.4	1,160.6
Total financial liabilities		1,838.3	1,612.1

18.1 Borrowings

	Maturity	Coupon	2015 \$M	2014 \$M
Current				
Commercial paper	< 3 months	Floating	117.6	81.6
Bank facility	31/01/2015	Floating	–	43.1
Bank facility	7/04/2015	Floating	–	130.0
Bonds	27/11/2014	7.00%	–	125.4
Bonds	9/11/2015	7.25%	100.0	–
Total short-term borrowings			217.6	380.1
Non-current				
Bank facility	10/03/2016	Floating	–	145.0
Bank facility	14/09/2017	Floating	–	43.1
Bank facility	29/10/2019	Floating	100.0	–
Bank facility	1/12/2017	Floating	89.6	–
Bank facility	29/10/2017	Floating	45.0	–
Bonds	9/11/2015	7.25%	–	100.0
Bonds	10/08/2016	8.00%	25.7	25.7
Bonds	15/11/2016	8.00%	130.0	130.0
Bonds	11/04/2017	Floating	150.0	150.0
Bonds	17/10/2017	5.47%	101.2	99.8
Bonds	13/12/2019	4.73%	100.0	100.0
Bonds	28/05/2021	5.52%	150.0	150.0
USPP notes	15/02/2021	4.42%	78.0	60.7
USPP notes	12/07/2021	4.67%	78.8	61.3
USPP notes	15/02/2023	4.57%	79.2	61.2
USPP notes	25/11/2026	3.61%	377.4	–
Total term borrowings			1,504.9	1,126.8
Total				
Commercial paper			117.6	81.6
Bank facilities			234.6	361.2
Bonds			756.9	880.9
USPP notes			613.4	183.2
Total borrowings			1,722.5	1,506.9

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

18.1 Borrowings CONTINUED

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

Bank facilities

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

In October 2014, the company refinanced all of its existing bank debt and cancelled the following facilities:

- a dual tranche multi-currency bank facility provided by Commonwealth Bank of Australia.
- a standby bank facility provided by Bank of Tokyo-Mitsubishi UFJ.
- a multi-currency bank facility (NZD and AUD) provided by Bank of New Zealand.

In November 2014, the company cancelled the two \$220 million bank facilities with ANZ Bank New Zealand and Commonwealth Bank of Australia, which had been established in relation to the April 2014 return of capital.

Bonds

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

In November 2014, the \$125 million 7.00 percent fixed rate bonds matured and were repaid.

US private placement notes

In July 2014, the company issued a total of USD 250 million in the USPP market. The single tranche is a 3.61 percent coupon 12 year note drawn in November 2014. Cross-currency interest rate swaps were also entered into at the same time, to swap the USD principal and fixed coupon obligations to NZD floating interest rates. These facilities are translated to NZD at the spot rate as at 30 June 2015.

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

18.2 Hedging activity and derivatives

Cashflow hedges

At 30 June 2015, the group held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount (in NZD and AUD). The notional amount of the interest rate swaps in a cash flow hedge at 30 June 2015 is \$834.8 million (2014: \$418.1 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 group assessed the cash flow hedges to be highly effective. No ineffectiveness has been required to be recognised in the income statement except for the recognition of counterparty credit risk associated with the derivatives.

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:

	2015 \$M	2014 \$M
Gains/(losses) on the fixed interest bonds	(1.0)	3.6
Gains/(losses) on the USPP notes	(16.2)	0.2
Gains/(losses) on the derivatives	16.7	(3.7)

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 group to hedge the basis risk on the cross-currency interest rate swaps. The basis swap is not hedge accounted.

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

	2015 \$M	2014 \$M
Interest basis swaps transacted as hedges but not qualifying for hedge accounting	(0.2)	0.9
Credit valuation adjustments on hedges qualifying for hedge accounting	(0.5)	(0.3)
Derivative fair value (decrease)/increase	(0.7)	0.6

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, 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.

	2015 \$M	2014 \$M
Increase of NZD/USD basis spread of 10 points		
Impact on profit before taxation	(1.0)	(1.1)
Decrease of NZD/USD basis spread of 10 points		
Impact on profit before taxation	1.0	1.1

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

18.3 Fair value

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

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

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

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

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

In the year ended 30 June 2015 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities. There have been no transfers between levels of the fair value hierarchy in the year ended 30 June 2015.

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

The group's bonds are classified as level 1. The fair value of the bonds is based on the quoted market prices for these instruments at balance date. The group's USPP notes are classified as level 2. 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.

	2015		2014	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
Bonds	756.9	788.4	880.9	899.6
USPP Notes	613.4	610.1	183.3	194.9

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

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

<i>Instrument</i>	<i>Valuation key inputs</i>
Interest rate swaps	Forward interest rates (from observable yield curves) and contract interest rates.
Interest basis swaps	Observable forward basis swap pricing and contract basis rates.
Cross-currency interest rate swaps	Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates.
Forward foreign currency contracts	Forward foreign exchange rates and contract rates.

Derivative financial instruments

	2015 \$M	2014 \$M
Current derivative assets		
Designated as a hedge relationship		
Interest rate swaps – fair value hedges	–	0.5
Total current derivative assets	–	0.5
Non-current derivative assets		
Designated as a hedge relationship		
Cross-currency interest rate swaps	111.8	–
Interest rate swaps – fair value hedges	2.6	1.3
Interest rate swaps – cash flow hedges	0.5	1.7
Fair value through profit or loss		
Interest basis swaps	3.4	3.9
Total non-current derivative assets	118.3	6.9
Total derivative assets	118.3	7.4
Current derivative liabilities		
Designated as a hedge relationship		
Interest rate swaps – cash flow hedges	1.7	–
Total other current derivative liabilities	1.7	–
Non-current derivative liabilities		
Designated as a hedge relationship		
Cross-currency interest rate swaps	–	19.5
Interest rate swaps – fair value hedges	–	0.2
Interest rate swaps – cash flow hedges	22.2	13.4
Total non-current derivative liabilities	22.2	33.1
Total derivative liabilities	23.9	33.1

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

18.4 Financial risk management objectives and policies

a / Credit risk

The group's maximum exposure to credit risk at 30 June 2015 is equal to the carrying value for cash, accounts receivable, dividend receivable, other non-current assets and derivative financial instruments. 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 group 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 \$1.3 million (2014: \$0.7 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 2015, this facility headroom was \$220.0 million (2014: \$486.9 million). The group's policy also requires the spreading of debt maturities.

The directors are confident that short-term borrowings will be refinanced as necessary.

Bank facilities

Type	Bank	Maturity	Facility currency	2015			2014		
				Available NZ \$M	Drawn NZ \$M	Undrawn NZ \$M	Available NZ \$M	Drawn NZ \$M	Undrawn NZ \$M
Dual tranche – Facility A	Commonwealth Bank of Australia	31/1/2015	NZD	–	–	–	135.0	–	135.0
Dual tranche – Facility B	Commonwealth Bank of Australia	31/1/2015	AUD	–	–	–	43.1	43.1	–
Bridge facility	ANZ Bank New Zealand	7/4/2015	NZD	–	–	–	220.0	–	220.0
Bridge facility	Commonwealth Bank of Australia	7/4/2015	NZD	–	–	–	220.0	130.0	90.0
Standby facility	Bank of Tokyo-Mitsubishi UFJ	10/3/2016	NZD	–	–	–	150.0	145.0	5.0
Standby facility	Westpac	30/4/2016	NZD	80.0	–	80.0	–	–	–
Standby facility	Bank of New Zealand	30/4/2016	NZD	35.0	–	35.0	–	–	–
Standby facility	ANZ Bank New Zealand	30/11/2017	NZD	80.0	–	80.0	–	–	–
Standby facility	ANZ Bank New Zealand	30/11/2015	NZD	25.0	–	25.0	–	–	–
Multi-currency facility	Commonwealth Bank of Australia	1/12/2017	AUD	89.6	89.6	–	–	–	–
Multi-currency facility	Bank of New Zealand	14/9/2017	NZD & AUD	–	–	–	80.0	43.1	36.9
Multi-currency facility	Bank of Tokyo-Mitsubishi UFJ	29/10/2017	NZD & AUD	45.0	45.0	–	–	–	–
Multi-currency facility	Bank of Tokyo-Mitsubishi UFJ	29/10/2019	NZD & AUD	100.0	100.0	–	–	–	–
Total NZD equivalent				454.6	234.6	220.0	848.1	361.2	486.9

The following liquidity risk disclosures reflect all undiscounted repayments and interest resulting from recognised financial liabilities and financial assets as at 30 June 2015. 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. Liquid non-derivative assets comprising cash and receivables are considered in the group's overall liquidity risk. The group ensures that sufficient liquid assets or committed funding facilities are available to meet all the required short-term cash payments and expects borrowings to roll over.

Undiscounted cash flows on financial assets and liabilities

	< 1 year \$M	1 to 3 years \$M	3 to 5 years \$M	> 5 years \$M	Total \$M
Year ended 30 June 2015					
Financial assets					
Cash and cash equivalents	38.5	–	–	–	38.5
Accounts receivable	29.6	–	–	–	29.6
Dividend receivable	2.8	–	–	–	2.8
Derivative financial assets	(1.8)	6.4	(2.1)	199.5	202.0
Total financial assets	69.1	6.4	(2.1)	199.5	272.9
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	(91.9)	–	–	–	(91.9)
Commercial paper	(117.6)	–	–	–	(117.6)
Bank facilities	–	(134.6)	(100.0)	–	(234.6)
Bonds	(100.0)	(405.0)	(100.0)	(150.0)	(755.0)
USPP notes	–	–	–	(710.8)	(710.8)
Derivative financial liabilities	(6.8)	(11.9)	(4.9)	(2.5)	(26.1)
Interest payable	(65.2)	(111.6)	(79.0)	(131.1)	(386.9)
Total financial liabilities	(381.5)	(663.1)	(283.9)	(994.4)	(2,322.9)
Year ended 30 June 2014					
Financial assets					
Cash and cash equivalents	41.4	–	–	–	41.4
Accounts receivable	23.6	–	–	–	23.6
Dividend receivable	2.7	–	–	–	2.7
Derivative financial assets	1.6	2.2	1.8	7.0	12.6
Total financial assets	69.3	2.2	1.8	7.0	80.3
Financial liabilities					
Accounts payable, accruals, provisions and other term liabilities	(72.0)	–	–	–	(72.0)
Commercial paper	(82.0)	–	–	–	(82.0)
Bank facilities	(173.1)	(145.1)	(43.0)	–	(361.2)
Bonds	(125.0)	(405.0)	(100.0)	(250.0)	(880.0)
USPP notes	–	–	–	(195.2)	(195.2)
Derivative financial liabilities	(9.3)	(16.8)	(12.2)	–	(38.3)
Interest payable	(67.2)	(89.4)	(43.6)	(37.0)	(237.2)
Total financial liabilities	(528.6)	(656.3)	(198.8)	(482.2)	(1,865.9)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

18.4 Financial risk management objectives and policies CONTINUED

c / Interest rate risk

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

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt and interest rate derivatives that are accounted for as cash flow hedges or fair value hedges. The group's policy is to keep its exposure to borrowings at fixed

rates of interest between parameters set out in the group's treasury policy. At year-end, 49.5 percent (2014: 58.3 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 eleven years from 30 June 2015 (2014: one month and nine years).

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

	2015 \$M	2014 \$M
Financial assets		
Cash and cash equivalents	38.5	41.4
	38.5	41.4
Financial liabilities		
Bonds in fair value hedge	75.0	125.0
Floating rate bonds	150.0	150.0
Bank facilities	49.8	178.0
Commercial paper	58.0	22.0
USPP Notes	489.9	195.2
	822.7	670.2
Net exposure	784.2	628.8

Interest rate sensitivity

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.

	2015 \$M	2014 \$M
Increase in interest rates of one hundred basis points		
Effect on profit before taxation	(7.8)	(6.3)
Effect on equity before taxation	53.8	13.2
Decrease in interest rates of one hundred basis points		
Effect on profit before taxation	7.8	6.3
Effect on equity before taxation	(59.2)	(14.1)

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

- Effect on profit before tax and effect on equity is based on net floating rate debt and funds on deposit as at 30 June 2015 of \$784.2 million (2014: \$478.9 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 effective as at 30 June 2015 are assumed to remain effective until maturity, therefore any movement in these derivative valuations are taken to the cash flow hedge reserve.

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 the investment in North Queensland Airports.

The group has one bank facility which is drawn down in Australian dollars to a total of AUD 80.0 million as a partial hedge of the net investment in North Queensland Airport's operation (2014: AUD 80.0 million).

Exposure to the US dollar arises from USPP borrowings denominated in that currency. This exposure has been fully hedged by way of cross-currency interest rate swaps combined with the basis swaps, hedging US dollar exposure on both

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

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

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

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. At 30 June 2015, 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:

	2015 \$M	2014 \$M
Increase in value of NZ Dollar of 10 percent		
Impact on profit before taxation	(0.2)	(0.1)
Impact on equity before taxation	(59.3)	(19.2)
Decrease in value of NZ Dollar of 10 percent		
Impact on profit before taxation	0.2	0.1
Impact on equity before taxation	72.4	23.4

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 to 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 0.8930 (2014: 0.9291) for AUD and 0.6837 (2014: 0.8762) 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.

e / Capital risk management

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

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

The gearing ratio is calculated as borrowings divided by borrowings plus the market value of shareholders' equity. The gearing ratio as at 30 June 2015 is 22.5 percent (2014: 24.7 percent). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2015 is A- Stable Outlook (2014: A- Stable Outlook).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

19. Commitments

a / Property, plant and equipment

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for \$4.6 million at balance date (2014: \$2.7 million).

b / Investment property

The group had contractual obligations to suppliers to purchase or develop investment property for \$65.6 million at balance date (2014: \$12.9 million). The company has further contractual obligations to tenants to purchase or develop investment property for \$17.5 million at balance date (2014: \$15.5 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment property for \$1.4 million at balance date (2014: \$1.2 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 26 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

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

	2015 \$M	2014 \$M
Within one year	178.2	160.0
After one year but no more than five years	545.0	209.2
After more than five years	278.1	71.5
Total minimum lease payments receivable	1,001.3	440.7

20. 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 21).

21. Provisions for noise mitigation

The group has an obligation to fund the acoustic treatment of homes and schools within defined areas when noise exceeds certain thresholds and when the offer of acoustic treatment is accepted. On acceptance of offers the group records a provision for the estimated cost of fulfilling the obligation. The amount of the provision will change depending on the number of offers accepted, a revision in the estimate of the cost of

offers, and when the obligation is funded. As directly attributable costs of a future second runway, the costs are capitalised to the extent that they are not recoverable from other parties.

Since 2005, the company has made acoustic treatment offers to a total of 2,700 houses and six schools. Homeowners of 390 homes and six schools have accepted these offers. The last offers were made in April 2010.

	2015 \$M	2014 \$M
Opening balance	1.9	1.9
Provisions made in the period	–	–
Unused amounts reversed in the period	–	–
Expenditure in the period	(0.1)	–
Total provision for noise mitigation	1.8	1.9

22. Related party disclosures

a / Transactions with related parties

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

No guarantees have been given or received.

Auckland Council

Auckland Council is a significant shareholder of the company with a shareholding in excess of 20 percent.

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 \$4.1 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 \$3.1 million. These transactions are not complete as at 30 June 2015 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

Costs incurred for goods and services received from the Auckland Council and its subsidiaries are as follows:

	2015 \$M	2014 \$M
Rates	8.7	7.6
Building consent costs and other local government regulatory obligations	0.7	0.6
Water, waste water and compliance services	1.8	1.8
Grounds maintenance	1.8	1.6

Associates

Refer to note 8 for details of transactions with associate entities.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

22. Related party disclosures CONTINUED

Other companies with common directorships

The company has transactions with other companies in which there are common directorships. All transactions with these entities have been entered into on an arms-length commercial basis, without special privileges. Transactions entered into with other related entities are as follows:

Nature of relationship	Auckland International Airport Marae Limited		Brick Bay Charitable Trust	
	Two of the Auckland Airport leadership team are on the board.		Director of Auckland Airport is the trustee.	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Maintenance and occupancy costs incurred	–	0.1	–	–
Accounting and other advisory services	No fees charged	No fees charged	–	–
Asset purchases	–	–	–	0.1

b / Key management personnel compensation

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

	Notes	2015 \$M	2014 \$M
Directors' fees		1.2	1.2
Senior management's salary and other short-term benefits		5.0	4.4
Senior management's share-based payment expense	23(b)	3.3	5.0
		9.5	10.6

23. Share-based payment plans

a / Employee share purchase plan

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

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

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

	2015 shares	2014 shares
Shares held on behalf of employees		
Opening balance	166,770	181,900
Shares issued during the year	14,400	18,500
Shares fully paid and allocated during the year	(1,620)	(2,700)
Shares forfeited during the year	(7,920)	(12,400)
Shares cancelled as part of capital return	–	(18,530)
Total shares held on behalf of employees	171,630	166,770
Unallocated shares held by the purchase plan	198,760	191,650
Total shares held by the purchase plan	370,390	358,420

On 21 November 2014 shares were issued at a price of \$3.4515, being a 10 percent discount on the average market selling price over the 10 trading days ending on 8 October 2014. On 21 November 2013 shares were issued at a price of \$3.0009, being a 10 percent discount on the average market selling price over the 10 trading days ending on 9 October 2013.

b / Phantom option plan

The approach to leadership remuneration adopted by the directors was a Phantom Option Plan ("phantom plan") for each calendar year from 2011 to 2014.

The phantom plans involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options is three years from the date of issue. Once the phantom options become exercisable, they remain exercisable for the next two years, subject to a total shareholder return hurdle being met. The gross amount payable is the volume-weighted average price of the shares over the previous 20 trading days less the initial share price for those phantom options on the day the phantom options were issued. The amount payable is subject to a cap, based on a multiple of an executive's fixed annual remuneration in the year the options are issued (three years prior to vesting).

The chief executive, Mr Adrian Littlewood, participated in each of the phantom option plans from 2011 to 2014 relating to his former role as general manager – retail and commercial and his current role as chief executive. Mr Littlewood has not participated in any other phantom option plans.

Mr Littlewood's participation in the phantom plans as chief executive resulted in the phantom option allocation of 1,577,311, 1,578,125 and 1,486,929 phantom options for calendar 2012, 2013 and 2014 respectively.

During the year, following a review of executive remuneration, the Board introduced a cap to the financial rewards payable upon the exercise of phantom options. Mr Littlewood's potential financial rewards upon exercise of phantom options is capped at two and a half times his fixed annual remuneration for 2012 and two times his fixed annual remuneration for 2013 and 2014.

As at 30 June 2015, the estimate of the fair value of the cash-settled phantom plans for all the participating executives is \$10.0 million (2014: \$6.8 million).

An expense of \$6.5 million (2014: \$6.0 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 \$3.3 million during the year ended 30 June 2015 (2014: \$5.0 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 methodology, 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

23. Share-based payment plans CONTINUED

The following table lists the key inputs to the Black-Scholes methodology used for the years ended 30 June 2015 and 30 June 2014:

	Assumptions 2015	Assumptions 2014
Expected volatility (%)	17.10	17.90
Risk-free interest rate range (%)	2.84–3.28	3.79–3.98
Share price at 30 June (\$)	\$4.935	\$3.900

Phantom options

As at 30 June 2015

Issue Date	Date exercisable	Expiry date	Number granted	Number lapsed	Number exercised	Number at 30 June 2015	Number exercisable at 30 June 2015	Share price to meet hurdle rate at 30 June 2015
24/08/11	24/08/14	24/08/16	3,031,956	1,076,924	1,955,032	–	–	N/A
31/08/12	31/08/15	31/08/17	4,694,576	1,391,516	–	3,303,060	–	\$3.03
22/08/13	22/08/16	22/08/18	3,700,804	319,118	–	3,381,686	–	\$3.62
27/08/14	27/08/17	27/08/19	3,875,494	–	–	3,875,494	–	\$3.89
			15,302,830	2,787,558	1,955,032	10,560,240	–	

As at 30 June 2014

Issue date	Date exercisable	Expiry date	Number granted	Number lapsed	Number exercised	Number at 30 June 2014	Number exercisable at 30 June 2014	Share price to meet hurdle rate at 30 June 2014
24/08/07	24/08/10	24/08/13	1,592,928	1,592,928	–	–	–	N/A
4/08/08	4/08/11	4/08/13	1,000,000	1,000,000	–	–	–	N/A
4/08/08	4/08/12	4/08/14	1,000,000	–	1,000,000	–	–	N/A
31/08/09	31/08/12	31/08/14	2,630,752	476,660	2,154,092	–	–	N/A
27/08/10	27/08/13	27/08/15	2,628,381	390,791	2,237,590	–	–	N/A
24/08/11	24/08/14	24/08/16	3,031,956	1,076,924	–	1,955,032	–	\$2.68
31/08/12	31/08/15	31/08/17	4,694,576	1,391,516	–	3,303,060	–	\$2.88
22/08/13	22/08/16	22/08/18	3,700,804	319,118	–	3,381,686	–	\$3.43
			20,279,397	6,247,937	5,391,682	8,639,778	–	

Payouts under the above phantom option scheme may or may not be subject to caps each year depending on share price.

24. Events subsequent to balance date

On 24 August 2015, the directors approved the payment of a fully imputed final dividend of 7.3 cents per share amounting to \$86.9 million to be paid on 16 October 2015.

On 19 August 2015, the directors of Queenstown Airport declared a dividend of \$4.1 million. The group's share of the dividend is \$1.0 million.

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Auckland International Airport Limited and its subsidiaries ('the Group') on pages 53 to 100, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated 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 and assurance reporting for regulatory purposes. In addition to this, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These services have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in the Group.

Opinion

In our opinion, the consolidated financial statements on pages 53 to 100 present fairly, in all material respects, the financial position of Auckland International Airport Limited and its subsidiaries as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.



Chartered Accountants
24 August 2015
Auckland, New Zealand

This audit report relates to the consolidated financial statements of Auckland International Airport Limited for the year ended 30 June 2015 included on Auckland International Airport's website. The Company's Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated 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 consolidated financial statements and related audit report dated 24 August 2015 to confirm the information included in the audited consolidated 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 2015

Group income statement	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
Income					
Airfield income	93.3	87.6	81.6	77.3	72.5
Passenger services charge	140.9	131.5	120.2	83.1	78.8
Terminal services charge	–	–	–	28.6	28.3
Retail income	132.0	127.1	124.3	120.8	111.2
Rental income	64.6	59.3	55.4	55.0	49.9
Rates recoveries	5.1	4.6	4.2	4.4	4.3
Car park income	46.6	42.8	40.4	36.6	33.4
Interest income	3.3	2.0	2.8	1.6	1.5
Other income	22.7	20.9	19.6	19.4	17.8
Total income	508.5	475.8	448.5	426.8	397.7
Expenses					
Staff	46.3	42.5	40.0	34.3	32.6
Asset management, maintenance and airport operations	44.2	40.3	39.6	36.7	32.9
Rates and insurance	10.7	10.1	9.7	9.1	7.8
Marketing and promotions	13.2	13.7	14.1	12.2	11.8
Other expenses	14.1	14.0	14.2	15.2	14.5
Total expenses	128.5	120.6	117.6	107.5	99.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	380.0	355.2	330.9	319.3	298.2
Share of profit of associates	12.5	11.6	9.9	9.2	4.8
Gain on sale of associates	–	–	–	–	1.2
Derivative fair value change	(0.7)	0.6	1.5	(2.1)	3.5
Property, plant and equipment revaluation	(11.9)	4.1	–	–	(63.4)
Investment property fair value increases/(decreases)	57.2	42.0	23.1	1.3	21.6
Earnings before interest, taxation and depreciation (EBITDA)	437.1	413.5	365.4	327.7	265.9
Depreciation	64.8	63.5	62.1	64.5	56.8
Earnings before interest and taxation (EBIT)	372.3	350.0	303.3	263.2	209.1
Interest expense and other finance costs	86.0	68.2	66.7	68.9	70.4
Profit before taxation	286.3	281.8	236.6	194.3	138.7
Taxation expense	62.8	65.9	58.6	52.0	37.9
Profit after taxation	223.5	215.9	178.0	142.3	100.8

Group statement of comprehensive income	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
Profit for the period	223.5	215.9	178.0	142.3	100.8
Other comprehensive income					
Items that will not be reclassified to income statement:					
Property, plant and equipment net revaluation movements	109.3	734.8	–	–	582.7
Tax on the property, plant and equipment revaluation reserve	(30.1)	–	(0.5)	0.5	(47.5)
Items that will not be reclassified to income statement	79.2	734.8	(0.5)	0.5	535.2
Items that may be reclassified subsequently to income statement:					
Cash flow hedges:					
Fair value gains/(losses) recognised in the cash flow hedge reserve	(25.5)	(3.1)	3.2	(19.7)	(16.2)
Realised (gains)/losses transferred to the income statement	9.2	8.7	8.8	11.5	13.7
Tax effect of movements in the cash flow hedge reserve	4.6	(1.6)	(3.3)	2.3	0.7
Total cash flow hedge movement	(11.7)	4.0	8.7	(5.9)	(1.8)
Movement in share of reserves of associate	1.7	8.4	0.8	(9.7)	(0.5)
Movement in foreign currency translation reserve	1.7	(7.0)	(3.5)	(1.7)	6.1
Items that may be reclassified subsequently to income statement	(8.3)	5.4	6.0	(17.3)	3.8
Total other comprehensive income/(loss)	70.9	740.2	5.5	(16.8)	539.0
Total comprehensive income for the period, net of tax attributable to the owners of the parent	294.4	956.1	183.5	125.5	639.8

Group statement of changes in equity	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
At 1 July	2,918.7	2,499.4	2,472.7	2,467.5	1,913.6
Profit for the period	223.5	215.9	178.0	142.3	100.8
Other comprehensive income/(loss)	70.9	740.2	5.5	(16.8)	539.0
Total comprehensive income	294.4	956.1	183.5	125.5	639.8
Shares issued	–	–	–	11.0	25.1
Share buy-back	–	–	–	(10.9)	–
Capital return and share cancellation	–	(454.1)	–	–	–
Dividend paid	(170.2)	(82.7) ¹	(156.8)	(120.4)	(111.0)
At 30 June	3,042.9	2,918.7	2,499.4	2,472.7	2,467.5

1: During the 2014 financial year the company made a \$454 million capital return to shareholders (\$0.343 per share). Only a final dividend of \$82.7 million was declared for the financial year.

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

Group balance sheet	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
Non-current assets					
Property, plant and equipment					
Freehold land	2,657.7	2,649.7	1,912.1	1,908.8	1,909.3
Buildings and services	583.0	499.0	504.7	514.4	518.3
Infrastructure	278.8	281.5	273.2	279.9	280.0
Runways, taxiways and aprons	320.2	298.2	308.7	300.3	307.1
Vehicles, plant and equipment	44.4	33.1	21.5	18.5	20.6
	3,884.1	3,761.5	3,020.2	3,021.9	3,035.4
Investment properties	848.1	733.4	635.9	579.8	546.2
Investment in associates	163.6	158.4	165.7	180.0	197.6
Derivative financial instruments	118.3	6.9	17.1	24.7	8.7
Other non-current assets	–	–	–	–	0.8
	5,014.1	4,660.2	3,838.9	3,806.3	3,788.7
Current assets					
Cash	38.5	41.4	69.2	42.8	46.1
Inventories	–	–	–	–	0.1
Trade and other receivables	36.6	29.0	26.8	23.1	25.5
Dividend receivable	2.8	2.7	3.6	3.3	3.8
Taxation receivable	9.5	–	–	–	–
Derivative financial instruments	–	0.5	–	0.1	2.0
	87.4	73.6	99.6	69.3	77.5
Total assets	5,101.5	4,733.8	3,938.5	3,875.5	3,866.2

Group balance sheet	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
Shareholders' equity					
Issued and paid-up capital	332.3	332.3	348.8	348.8	338.4
Cancelled share reserve	(609.2)	(609.2)	(171.6)	(171.6)	(161.3)
Property, plant and equipment revaluation reserve	2,958.5	2,880.6	2,147.7	2,148.6	2,149.7
Share-based payments reserve	0.9	0.9	0.9	0.9	0.9
Cash flow hedge reserve	(25.7)	(14.0)	(18.0)	(26.6)	(20.7)
Share of reserves of associates	(0.4)	(2.1)	(10.5)	(11.4)	(1.7)
Foreign currency translation reserve	(6.8)	(8.5)	(1.5)	2.0	3.8
Retained earnings	393.3	338.7	203.6	182.0	158.4
	3,042.9	2,918.7	2,499.4	2,472.8	2,467.5
Non-current liabilities					
Term borrowings	1,504.9	1,126.8	1,010.3	926.9	652.6
Derivative financial instruments	22.2	33.1	21.7	31.6	41.1
Deferred tax liability	220.3	200.2	200.2	199.2	205.1
Other term liabilities	1.3	0.7	0.7	0.7	0.7
	1,748.7	1,360.8	1,232.9	1,158.5	899.6
Current liabilities					
Accounts payable	88.8	69.5	62.2	54.4	52.8
Taxation payable	–	2.8	10.4	6.2	10.3
Derivative financial instruments	1.7	–	–	1.3	2.8
Short-term borrowings	217.6	380.1	131.7	181.8	432.0
Provisions	1.8	1.9	1.9	0.5	1.2
	309.9	454.3	206.2	244.3	499.1
Total equity and liabilities	5,101.5	4,733.8	3,938.5	3,875.5	3,866.2

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
Group statement of cash flows					
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	500.6	471.6	441.9	428.5	393.5
Interest received	3.3	2.1	2.8	1.6	1.5
	503.9	473.7	444.7	430.1	395.0
Cash was applied to:					
Payments to suppliers and employees	(116.0)	(116.4)	(112.1)	(106.0)	(100.1)
Income tax paid	(79.5)	(79.1)	(57.3)	(59.2)	(50.1)
Interest paid	(86.2)	(66.6)	(67.5)	(68.2)	(69.8)
	(281.7)	(262.0)	(236.9)	(233.4)	(220.0)
Net cash flow from operating activities	222.2	211.7	207.8	196.7	175.0
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets	0.3	–	–	–	–
Proceeds from sale of investment property	0.5	–	–	–	–
Proceeds from sale of investment in associate	–	–	–	–	8.0
Dividends from associates	13.1	16.8	14.3	15.3	9.6
	13.9	16.8	14.3	15.3	17.6
Cash was applied to:					
Purchase of property, plant and equipment	(79.0)	(60.7)	(55.0)	(46.5)	(35.6)
Interest paid – capitalised	(4.3)	(3.2)	(2.2)	(1.8)	(1.2)
Expenditure on investment properties	(61.2)	(55.6)	(32.2)	(36.3)	(31.6)
Other investing activities	–	–	–	(1.0)	(31.5)
	(144.5)	(119.5)	(89.5)	(85.6)	(99.9)
Net cash applied to investing activities	(130.6)	(102.7)	(75.2)	(70.3)	(82.3)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	–	–	–	11.0	25.1
Increase in borrowings	565.8	450.0	175.4	552.5	128.3
	565.8	450.0	175.4	563.5	153.4
Cash was applied to:					
Share buy-back	–	(454.1)	–	(10.9)	–
Decrease in borrowings	(490.1)	(50.0)	(125.0)	(562.0)	(125.0)
Dividends paid	(170.2)	(82.7)	(156.7)	(120.3)	(111.0)
	(660.3)	(586.8)	(281.7)	(693.2)	(236.0)
Net cash flow applied to financing activities	(94.5)	(136.8)	(106.3)	(129.7)	(82.6)
Net increase/(decrease) in cash held	(2.9)	(27.8)	26.3	(3.3)	10.1
Opening cash brought forward	41.4	69.2	42.8	46.1	36.0
Ending cash carried forward	38.5	41.4	69.2	42.8	46.1

Capital expenditure	2015 \$M	2014 \$M	2013 \$M	2012 \$M	2011 \$M
Aeronautical	68.3	33.3	51.2	25.5	14.6
Retail	3.1	6.1	0.9	2.3	10.4
Property development	67.0	54.1	37.1	49.3	46.2
Infrastructure and other	4.2	22.5	3.1	3.1	3.0
Carparking	5.0	5.5	1.1	2.9	0.6
Total	147.6	121.5	93.5	83.1	74.8

Passenger, aircraft and MCTOW	2015	2014	2013	2012	2011
Passenger movements					
International	8,618,191	8,150,396	7,755,678	7,769,207	7,392,045
Domestic	7,198,595	6,911,689	6,760,537	6,236,915	6,040,265
Aircraft movements					
International	46,692	45,809	44,314	45,094	43,782
Domestic	104,264	107,454	110,832	110,421	110,508
MCTOW (tonnes)					
International	4,556,051	4,339,266	4,104,679	4,167,792	4,007,728
Domestic	1,890,764	1,879,199	1,824,689	1,733,819	1,682,824

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 'Corporate Governance Principles and Recommendations' (3rd Edition) (ASX Principles), the 'NZX Corporate Governance Best Practice Code' (NZX Code) and the Financial Markets Authority handbook 'Corporate Governance in New Zealand – Principles and Guidelines' (FMA Handbook).

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

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

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The Board's primary governance roles are:

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

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

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

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

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

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

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

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

The performance of all members of the senior management team was reviewed in the 2015 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 Sir Henry van der Heyden, John Brabazon, Richard Didsbury, Brett Godfrey, Michelle Guthrie, James Miller, Justine Smyth and Christine Spring. 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 Product Holder (as that term is defined in section 274 of the Financial Markets Conduct Act 2013) in the company, or is an officer of, or otherwise associated directly with, a Substantial Product 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 Product Holder of the company.

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

Sir Henry van der Heyden KNZM, BE (Hons)	(Chair)	4 September 2009
John Brabazon BCom, ACA, CFInstD, F FIN		20 November 2007*
Richard Didsbury BE		20 November 2007
Brett Godfrey BCom, ACA		28 October 2010
Michelle Guthrie BA, LLB (Hons)		24 October 2013
James Miller BCom, FCA, AMInstD		4 September 2009
Justine Smyth BCom, FCA		2 July 2012
Christine Spring BE, MSc Eng, MBA		23 October 2014

*John Brabazon will retire from the Board in October 2015.

The chief executive is not a member of the Board.

A biography of each director of the company is set out on pages 30 and 31.

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 111 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's policy is that directors shall not serve a term of longer than 9 years unless the Board considers that any director serving longer than that period would be in the best interests of shareholders. 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. Appropriate checks of any potential new director are undertaken before any appointment or putting forward to security holders for election

Corporate governance CONTINUED

and security holders are provided with all material information held relevant to a decision whether or not to elect (or re-elect) a director. The committee has a formal charter which can be found on the Company Website. The committee is required to comprise of a minimum of three directors, two of whom must be independent non-executive directors and the chair of the committee is required to be an independent director. Currently, all 8 directors are members of the committee, with each member being independent and Sir Henry van der Heyden as chair. The committee members' qualifications are set out on pages 30 and 31 and attendance at meetings on page 111.

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

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

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

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

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

Performance reviews were completed for all directors in the 2015 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 corporate secretary 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	No of ad-hoc meetings	No of ad-hoc meetings attended	Member	No of meetings ²	No of meetings attended	Member	No of meetings	No of meetings attended
Sir Henry van der Heyden	Independent non-executive	✓	9	9	7	6	✓	6	5	✓	2	2	2	2	✓	1	1	✓	4	4
John Brabazon	Independent non-executive	✓	9	9	2	2	✓	6	6	✓	1 ³	1	1	1	✓	-	-			
Richard Didsbury	Independent non-executive	✓	9	9	8	8	✓	6	6					✓	1	1	✓	4	4	
Brett Godfrey	Independent non-executive	✓	9	9	2	2				✓	2	2	2	2	✓	-	-	✓	4	3
Michelle Guthrie	Independent non-executive	✓	9	9	1	1				✓	2	1	2	1	✓	-	-			
James Miller	Independent non-executive	✓	9	9	3	3	✓	6	6					✓	-	-				
Justine Smyth	Independent non-executive	✓	9	9	7	4	✓	6	6	✓	2	2	2	2	✓	-	-			
Christine Spring	Independent non-executive	✓	7 ⁴	7	7	7								✓	-	-	✓	2	2	
Keith Turner	Independent non-executive	✓	4 ⁵	4	1	1				✓	1	1		✓	1	1				

¹ Ad-hoc committees were established for the purposes of due diligence relating to the US private placement, consideration of the company's approach to the Proposed Auckland Unitary Plan and to provide support to management in the development of the Phase 3 International Terminal Redevelopment Project.

² Only Sir Henry van der Heyden, Richard Didsbury and Keith Turner were members of the nominations committee at the time of the nominations committee meeting. All directors are now members of the nominations committee and these meetings are held as required at the time of the general board meetings.

³ John Brabazon was appointed to the Human Resources Committee on 23 June 2015.

⁴ Christine Spring was appointed to the Board on 23 October 2014.

⁵ Keith Turner retired from the Board on 23 October 2014.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

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

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

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

The policy and code of conduct also sets out procedures to be followed for reporting any concerns regarding breaches of the policy and code of conduct and for annual review of their

content by the Board.

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

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

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

Corporate governance CONTINUED

DIVERSITY

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

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

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

As at 30 June 2015, three of the eight members of the Board were women (an increase from the previous financial year) and one of the eight members of the senior management team was a woman (no change from the previous financial year). In addition, the Board hosted one participant in the 'Future Directors' scheme who is a woman. Women made up 32 percent of all permanent employees across the company (a marginal increase from the previous financial year).

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The audit and financial risk committee is responsible for financial risk management oversight. This committee's formal charter reflects this responsibility. The audit and financial risk committee's charter can be found on the Company Website. The audit and financial risk committee's charter was reviewed during the financial year. The committee provides general assistance to the Board in performing its responsibilities, with particular reference to the 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, Sir Henry van der Heyden and Justine Smyth, all of whom are independent non-executive directors. Their qualifications are set out on pages 30 and 31 and attendance at meetings on page 111.

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

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 it has been approved. Financial information release is approved by the audit and financial risk committee, while information released on other matters is approved by the chair of the Board and the chief executive.

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

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

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

The company currently keeps shareholders informed through:

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

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk management is an integral part of Auckland Airport's business. The company has systems to identify, and minimise, the impact of financial and operational risk on its business. These systems include a process to enable:

- significant risk identification;
- risk impact quantification;
- risk mitigation strategy development; and
- compliance monitoring to ensure the ongoing integrity of the risk management process.

The chief executive and the chief financial officer are required each year to confirm in writing to the audit and financial risk committee that:

- the company's financial statements are presented fairly, in all material respects, and in accordance with the relevant accounting standards;
- the statement given in the preceding paragraph is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board has received assurance from the chief executive and chief financial officer that this confirmation is founded on a sound system of risk management and internal control which is operating effectively in all respects relating to financial reporting.

The safety and operational risk committee is responsible for oversight of the company's safety and operational risk management programme. This committee's formal charter reflects this responsibility. The safety and operational risk committee's charter and the company's risk management policy can be found on the Company Website.

The committee oversees and makes recommendations to the Board on the safety (including health and safety), environmental and operational risk profile of the business. It also 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 Richard Didsbury (chair), Brett Godfrey, Christine Spring and Sir Henry van der Heyden, all of whom are independent non-executive directors. Their qualifications are set out on pages 30 and 31 and attendance at meetings on page 111.

Corporate governance CONTINUED

The audit and financial risk committee continues to be delegated responsibility for oversight of financial risk. Further details of the role of this committee are set out at Principle 4 above.

The company continues to enhance and develop its risk management process with a view to continuous improvement. During the year significant activities undertaken in this regard include:

- a significant number of relevant exercises tailored to test procedures and plans have been conducted;
- crisis management process and plans continue to be updated and refined; and
- the Board and management have reviewed and refined the Board's approach to risk in the conduct of the business.

The company has established a formal internal audit function. This function is performed by Ernst & Young. Ernst & Young reports on its activities two times in each year to the audit and financial risk committee.

The company's aeronautical business is also subject to other internal and external audit and review, including in particular the regular external audit by New Zealand's Civil Aviation Authority to ensure operational certification.

The company operates in a commercial environment where there is always potential for economic, environmental and social sustainability risks to impact on it. As set out above, the company has in place appropriate mechanisms and controls to identify where these risks are material and to manage these as required.

Being a responsible business is part of the company's DNA. By respecting people, the community and the environment the company is able to grow its business sustainably and create value for all stakeholders in the long term. A copy of the company's Sustainability Snapshot Report 2015 is available on the Company Website.

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 John Brabazon, Brett Godfrey, Sir Henry van der Heyden, Michelle Guthrie and Justine Smyth (chair). 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 111.

The Board has an objective in this report to be transparent about its remuneration policy and practice, in order to demonstrate that all those involved with running the company are motivated to create sustainable shareholder wealth and receive appropriate reward when they do.

DIRECTORS

Non-executive directors receive fees determined by the Board on the recommendation of the human resources committee. Those fees must be within the aggregate amount per annum approved by shareholders. Shareholders approved a total pool of \$1,423,298 at the company's annual meeting on 23 October 2014, an increase of \$54,742 (4 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 percent (from \$1,423,298 to \$1,465,997).

The company's constitution allows the payment of a retirement benefit, being a lump sum no greater than the director's fees paid to the relevant director in any three years of the director's term of office chosen by the company. Following the company's 2004 annual meeting, the directors froze directors' retirement allowances at the levels applying at the date of that meeting. Directors appointed after 21 April 2004 are not entitled to retirement payments.

REMUNERATION OF DIRECTORS

Name	Director's fee
Sir Henry van der Heyden	\$233,843.23
Keith Turner	\$50,511.96
John Brabazon	\$133,965.06
Richard Didsbury	\$140,428.59
Brett Godfrey	\$129,502.36
Michelle Guthrie	\$116,305.88
James Miller	\$158,437.97
Justine Smyth	\$150,561.53
Christine Spring	\$83,636.30

The above remuneration amounts include the amounts applied by the company to share purchases on behalf of the directors in accordance with the share purchase plan outlined above.

MANAGEMENT

The company's remuneration policy is to ensure that:

- staff are fairly and equitably remunerated relative to comparable positions within the Australasian market;
- staff are strongly motivated to achieve stretch performance that will deliver shareholder value; and
- the company is able to attract and retain high-performing employees who will ensure the achievement of company objectives.

The annual remuneration review process requires what the company calls, 'one over one' approval. That is, the approval of the Board of directors is required for the implementation of changes to the chief executive's remuneration, as recommended by the human resources committee. Likewise, the approval of the human resources committee of the Board is required for the implementation of recommendations from the chief executive in relation to the remuneration of the leadership team and the aggregate increment applying to all other employees.

The recruitment process, and subsequently the remuneration review process, involves the consideration of market information obtained from specialist advisors and, in the case of employees employed under collective agreements, negotiations with unions.

All employees of the company participate every six months in a detailed performance development system (PDS), administered by the human resources team. The outcomes of the PDS are integrated into the annual remuneration review to ensure that the company's remuneration policy is delivered on. The PDS also is a very useful tool in identifying necessary staff development and training and, very importantly, in succession planning.

The company's senior management team's total remuneration is made up of a mix of:

- base salary;
- short-term 'at risk' performance incentives; and
- in relation to the leadership team, long-term performance incentives which are 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 remuneration 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 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 27.

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 93 percent of the financial target results in no payment of half of the at risk pay.

The company provides long-term performance incentives in the form of long-term, cash-based ('phantom') incentive plans.

The phantom plans for the calendar years 2012 to 2014 also involve the notional allocation of options at prevailing market rates to participating executives. The vesting period for these phantom options are three years from the date of issue. Once the phantom options become exercisable the phantom options remain exercisable for the next two years, subject to a total shareholder return hurdle being met. The total shareholder return hurdle requires shareholder returns to be greater than the compound independent calculation of the annual cost of equity plus one percent. If the vesting period and hurdle have been met then the executive may exercise some or all of their options. The after tax benefit payable is the volume weighted average price of the shares over the 20 trading days prior to an executive direction less the initial share price for those phantom options on the day the phantom options were issued.

During the 2015 financial year, following a review of executive remuneration, the Board introduced a cap to the financial rewards payable upon the exercise of phantom plans. The cap is based on a multiple of an executive's fixed annual remuneration in the year the options are issued (three years prior to vesting).

Mr Adrian Littlewood's participation in the calendar 2012 plan, as part of his 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, with a total of 1,577,311 phantom options issued to Mr Littlewood. The issue price for the 2013 phantom option plan was \$3.23 as at 22 August 2013, with a total of 1,578,125 phantom options issued to Mr Littlewood. The issue price for the 2014 phantom option plan was \$3.73 as at 27 August 2014, with a total of 1,486,929 phantom options issued to Mr Littlewood. Mr Littlewood's potential financial reward upon exercise of phantom options is capped at two and a half times his fixed annual remuneration for the 2012 grant year and two times his fixed annual remuneration for each of the 2013 and 2014 grant years.

As at 30 June 2015 the estimate of the fair value of the cash-settled phantom plans for all the participating executives is \$10.0 million (2014: \$6.8 million).

Corporate governance CONTINUED

The number of phantom options issued to participants under the plans is determined by applying the company's independently calculated cost of equity and an independent valuation of the option using Black-Scholes valuation methodologies to the percentage of the relevant participant's base salary which is the subject of this incentive. This is a process which is done annually.

A statement of the company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration scheme forms part of the company's securities trading policy which can be found on the Company Website.

The company has also run an employee share plan in the past and intends to in the future. Pursuant to this plan 14,400 shares were issued to 24 eligible employees on 21 November 2014. 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 23 of the notes to the financial statements.

At its meeting in August 2015 the Board resolved to conduct another employee share plan on substantially the same basis as that commenced in 2014.

Directors are not eligible to participate in any of the incentive plans operated by the company.

Total remuneration packages for all employees in excess of \$100,000 are disclosed by band on page 118 of this report.

The total remuneration paid to the chief executive in the 2015 financial year was \$2,256,212.

COMPLIANCE

The company complies with all of the requirements of the ASX Principles, the NZX Code and the FMA Handbook as at the date of this annual report.

Shareholder information

REPORTING ENTITY

The company was incorporated on 20 January 1988, under the Companies Act 1955, and commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. On 25 June 1998, the company adopted a revised constitution, approved as appropriate for a publicly listed company. Further revisions of the constitution were adopted on 21 November 2000, 18 November 2002 and 23 November 2004 in order to comply with NZSX and ASX Listing Rule requirements.

The company was registered in Australia as a foreign company under the Corporations Law on 22 January 1999 (ARBN 085 819 156).

STOCK EXCHANGE LISTINGS

The company's shares were quoted on the NZSX on 28 July 1998. The company's shares were quoted on the ASX effective 1 July 2002.

The company did not undertake an on-market share buy-back during the year ended 30 June 2015. 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).

DISCIPLINARY ACTION TAKEN BY THE NZSX, ASX OR THE FINANCIAL MARKETS AUTHORITY (FMA)

None of the NZSX, the ASX or the FMA has taken any disciplinary action against the company during the financial year ending 30 June 2015.

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 2015 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 \$30,999 to various charities during the year. The company also made other community contributions in the amount of \$439,383. The company's subsidiaries did not make any donations during the year.

EARNINGS PER SHARE

Earnings in cents per ordinary share were 18.78 cents in 2015 compared with 16.68 cents in 2014.

CREDIT RATING

As at 23 July 2015, the Standard & Poor's long-term debt rating for the company was A- Stable Outlook.

SUBSIDIARY COMPANY DIRECTORS

Simon Robertson and Paul Divers held office as directors of Auckland Airport Limited as at 30 June 2015.

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 2015.

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 Vodafone Events Centre, 770 Great South Road, Manukau, on 22 October 2015 at 10.00am.

DIRECTORS' HOLDINGS AND DISCLOSURE OF INTERESTS

Directors held interests in the following shares in the company as at 30 June 2015:

Sir Henry van der Heyden	Held personally	15,061
John Brabazon	Held personally	11,579
Richard Didsbury	Held personally	11,589
	Held by Associated Persons	3,945
Brett Godfrey	Held personally	10,904
Michelle Guthrie	Held personally	3,073
James Miller	Held personally	11,621
Justine Smyth	Held personally	101,178
Christine Spring	Held personally	455

Shareholder information CONTINUED

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:

Sir Henry van der Heyden

Chair, Tainui Group Holdings Limited

Chair, Manuka SA

Director, Pascaro Investments Limited

Director, Rabobank Australia Limited

Director, Rabobank New Zealand Limited

Director, Foodstuffs North Island Limited

Keith Turner (Retired 23 October 2014)

Director, Chorus Limited

Chair, Fisher & Paykel Appliances Holdings Limited

Chair, Team New Zealand Limited

Chair, Keith Turner & Associates

Director, Spark Infrastructure Pty Limited

John Brabazon

Director, Clavell Capital Limited

Governing Member, Round Mountain Oil LLC

Director, Hilton Haulage Limited

Director, Brabazon Petroleum Limited

Director, Dairy Farms NZ Ltd

Richard Didsbury

Director, Hobsonville Land Company Limited

Director, Kiwi Property Group Limited

Chair, Committee for Auckland Limited

Director, SKYCITY Entertainment Group Limited

Brett Godfrey

Director, Westjet Airlines Limited

Director, Tourism Australia

Michelle Guthrie

Director, Modern Times Group (Sweden)

Director, Pacific Star Network (Melbourne)

Director, Plan International (Hong Kong)

James Miller

Director, Mighty River Power Limited

Chair, NZX Limited

Director, New Zealand Clearing and Depository Corporation Limited (a subsidiary of NZX Limited)

Director, Accident Compensation Corporation

Justine Smyth

Director, Spark New Zealand Limited

Director, Lingerie Brands Limited

Chair, New Zealand Breast Cancer Foundation

Christine Spring

Director, Holmes Consulting Group Limited

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 financial year ending 30 June 2015:

Amount of remuneration	Former employees	Current employees
\$100,001 to \$110,000		26
\$110,001 to \$120,000		26
\$120,001 to \$130,000	1	19
\$130,001 to \$140,000	1	10
\$140,001 to \$150,000		7
\$150,001 to \$160,000		5
\$160,001 to \$170,000		4
\$170,001 to \$180,000		3
\$180,001 to \$190,000		1
\$190,001 to \$200,000		3
\$200,001 to \$210,000		3
\$210,001 to \$220,000		3
\$220,001 to \$230,000		5
\$240,001 to \$250,000		1
\$260,001 to \$270,000		1
\$280,001 to \$290,000		1
\$320,001 to \$330,000		1
\$340,001 to \$350,000		1
\$350,001 to \$360,000		2
\$1,240,001 to \$1,250,000		1
\$1,400,001 to \$1,410,000	1	–
\$1,760,001 to \$1,770,000	1	–
\$2,250,001 to \$2,260,000		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 2012 to 2014 (inclusive) (refer to note 23b in the financial statements); at balance date the value of these incentives was \$10.0 million.

None of the company's subsidiaries have any employees or former employees.

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDERS

AS AT 23 JULY 2015

Size of holding	Number of shareholders	%	Number of shares	%
1 – 1,000	5,041	10.36	2,848,483	0.24
1,001 – 5,000	31,541	64.85	65,341,079	5.49
5,001 – 10,000	6,022	12.38	43,490,448	3.65
10,001 – 50,000	5,365	11.03	104,222,163	8.75
50,001 – 100,000	436	0.90	29,844,370	2.51
100,001 and over	235	0.48	944,751,954	79.36
Total	48,640		1,190,498,497	

SUBSTANTIAL PRODUCT HOLDERS

Pursuant to section 280 of the Financial Markets Conduct Act 2013, the following persons had given notice as at the balance date of 30 June 2015 that they were substantial product holders in the company and held a 'relevant interest' in the number of ordinary shares shown below:

Substantial product holder	Number of shares in which 'relevant interest' is held	Date of notice
Auckland Council Investments Limited (through its wholly-owned subsidiaries, Airport Shares (Auckland) Limited and Airport Shares (Manukau) Limited)	266,328,913	08.04.14
Airport Shares (Auckland) Limited	148,951,467	08.04.14
Airport Shares (Manukau) Limited	117,377,445	25.11.14

The total number of voting securities on issue as at 23 July 2015 was 1,190,498,497.

Shareholder information CONTINUED

20 LARGEST SHAREHOLDERS

AS AT 23 JULY 2015

Shareholder	Number of shares	% of capital
New Zealand Central Securities Depository Limited ¹	477,452,331	40.11
Airport Shares (Auckland) Limited	148,951,467	12.51
Airport Shares (Manukau) Limited	117,377,445	9.86
National Nominees Limited	28,163,740	2.37
Custodial Services Limited	24,139,564	2.03
JP Morgan Nominees Australia Limited	13,682,756	1.15
FNZ Custodians Limited	12,554,738	1.05
Custodial Services Limited	9,491,945	0.8
HSBC Custody Nominees (Australia) Limited	9,425,506	0.79
Custodial Services Limited	6,649,798	0.56
Investment Custodial Services Limited	6,573,706	0.55
Custodial Services Limited	6,548,651	0.55
Forsyth Bar Custodians Limited	4,533,308	0.38
FNZ Custodians Limited	4,405,961	0.37
Custodial Services Limited	3,788,185	0.32
Masfen Securities Limited	3,394,127	0.29
New Zealand Depository Nominee Limited	3,219,133	0.27
Custodial Services Limited	2,441,962	0.21
BNP Paribas Nominees (NZ) Limited	2,100,220	0.18
Karatal Holdings P/L	1,909,800	0.16

¹ New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 23 July 2015, the 10 largest shareholdings in the company held through NZCSD were:

Shareholder	Number of shares	% of capital
HSBC Nominees (New Zealand) Limited	90,372,667	7.59
HSBC Nominees (New Zealand) Limited	88,141,156	7.4
JPMorgan Chase Bank	61,613,533	5.18
Citibank Nominees (NZ) Limited	61,015,266	5.13
National Nominees New Zealand Limited	57,422,393	4.82
Accident Compensation Corporation	31,693,599	2.66
New Zealand Superannuation Fund Nominees Limited	20,829,678	1.75
Tea Custodians Limited	13,634,307	1.15
Cogent Nominees Limited	12,890,736	1.08
Private Nominees Limited	9,327,386	0.78

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 10.00am on 22 October 2015 at the Vodafone Events Centre, 770 Great South Road, Manukau.

VOTING RIGHTS

The voting rights of shareholders are set out in the company's constitution. Each holder of ordinary shares is entitled to vote at any annual meeting of shareholders. On a show of hands, each holder of ordinary shares is entitled to one vote. On a poll, one vote is counted for every ordinary share. A person is not entitled to vote when disqualified by virtue of the restrictions contained in the company's constitution and the ASX and NZSX Listing Rules of the ASX and the NZSX.

ENQUIRIES

Shareholders with enquiries about transactions, changes of address or dividend payments should contact Link Market Services Limited on +64 9 375 5998. Other questions should be directed to the company's corporate secretary at the registered office.

STOCK EXCHANGE

The company's ordinary shares trade on the NZSX and the ASX. The minimum marketable parcel on the NZSX is 100 shares and in Australia a 'marketable parcel' is a parcel of securities of more than AUD 500. As at 23 July 2015, 34 shareholders on the ASX and 254 shareholders on the NZSX held fewer securities than a marketable parcel under the Listing Rules of the ASX.

DIVIDENDS

Shareholders may elect to have their dividends direct credited to their bank account. From time to time, the company also offers shareholders the opportunity to participate in a dividend reinvestment plan. As at the date of this report, the dividend reinvestment plan is suspended.

LIMITATIONS ON THE ACQUISITION OF THE COMPANY'S SECURITIES

The company is incorporated in New Zealand. As such, it is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (such as substantial holdings and takeovers). Limitations on acquisition of the securities are, however, imposed on the company under New Zealand law:

- Securities in the company are, in general, freely transferable. The only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand law relating to takeovers, overseas investment and

competition.

- The Takeovers Code creates a general rule under which the acquisition of more than 20 percent of the voting rights in the company or the increase of an existing holding of 20 percent or more of the voting rights in the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90 percent or more of the shares in the company.
- The Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the Overseas Investment Office is likely to be required where an 'overseas person' acquires shares or an interest in shares in the company that amount to more than 25 percent of the shares issued by the company or, if the overseas person already holds 25 percent or more, the acquisition increases that holding.
- The Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

SHARE REGISTRARS

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Corporate directory

DIRECTORS

Sir Henry van der Heyden, chair
John Brabazon
Richard Didsbury
Brett Godfrey
Michelle Guthrie
James Miller
Justine Smyth
Christine Spring

SENIOR MANAGEMENT

Adrian Littlewood, chief executive
Philip Neutze, acting chief financial officer
Richard Barker, general manager retail and commercial
Norris Carter, general manager aeronautical commercial
Anna Cassels-Brown, general manager people and safety and acting general manager corporate affairs
Jason Delamore, general manager marketing
Graham Matthews, general manager airport development and delivery
Judy Nicholl, general manager aeronautical operations
Mark Thomson, general manager property

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MAILING ADDRESS

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ACTING CORPORATE SECRETARY

Justine Hollows

AUDITORS

External auditor – Deloitte
Internal auditor – Ernst & Young
Share registry auditor – Grant Thornton

This Annual Report is dated 24 August 2015 and is signed on behalf of the Board by:



Sir Henry van der Heyden
Chair of the Board



James Miller
Director



Online report

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

aucklandairport.co.nz



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