Financial statements


Whittaker's

Consolidated interim income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	NOTES	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Income			
Airfield income		64.3	59.9
Passenger services charge		93.3	89.1
Retail income		110.8	88.9
Rental income		53.3	46.9
Rates recoveries		3.1	3.0
Car park income		32.9	31.4
Interest income		1.0	0.4
Other income		11.9	12.8
Total income		370.6	332.4
Expenses			
Staff	4	29.8	27.3
Asset management, maintenance and airport operations		38.6	31.7
Rates and insurance		7.9	6.7
Marketing and promotions		5.5	5.2
Professional services and levies		4.9	5.7
Other expenses		6.8	5.7
Total expenses		93.5	82.3
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)		277.1	250.1
Share of profit of associates and joint ventures		4.3	4.4
Share of profit of associate held for sale		–	6.7
Derivative fair value increase / (decrease)		0.2	(3.0)
Investment property fair value increase	9	11.1	41.5
Earnings before interest, taxation and depreciation (EBITDA)		292.7	299.7
Depreciation		50.0	40.7
Earnings before interest and taxation (EBIT)		242.7	259.0
Interest expense and other finance costs	4	40.1	38.6
Profit before taxation	3	202.6	220.4
Taxation expense		55.4	54.5
Profit after taxation attributable to owners of the parent		147.2	165.9

		Cents	Cents
Earnings per share			
Basic and diluted earnings per share		12.23	13.89

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2018 AND 31 DECEMBER 2017. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2018 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Profit for the period	147.2	165.9
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
Fair value losses recognised in the cash flow hedge reserve	(10.9)	(2.3)
Realised losses transferred to the income statement	1.0	2.3
Tax effect of movements in the cash flow hedge reserve	4.3	–
Total cash flow hedge movement	(5.6)	–
Movement in cost of hedging reserve	(0.6)	–
Tax effect of movement in cost of hedging reserve	0.2	–
Movement in share of reserves of associate held for sale	–	0.4
Movement in foreign currency translation reserve	–	3.8
Items that may be reclassified subsequently to the income statement	(6.0)	4.2
Total other comprehensive (loss) / income	(6.0)	4.2
Total comprehensive income for the period, net of tax attributable to the owners of the parent	141.2	170.1

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Consolidated interim statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

Six months ended 31 December 2018 (unaudited)	NOTES	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M
At 30 June 2018		404.2	(609.2)	4,913.9
Adjustment on adoption of NZ IFRS 9		–	–	–
At 1 July 2018		404.2	(609.2)	4,913.9
Profit for the period		–	–	–
Other comprehensive loss		–	–	–
Total comprehensive income		–	–	–
Shares issued	10	34.7	–	–
Long-term incentive plan		–	–	–
Dividend paid	7	–	–	–
At 31 December 2018		438.9	(609.2)	4,913.9
Six months ended 31 December 2017 (unaudited)				
At 1 July 2017		348.3	(609.2)	3,729.0
Profit for the period		–	–	–
Other comprehensive income		–	–	–
Total comprehensive income		–	–	–
Reclassification to retained earnings		–	–	(1.0)
Shares issued	10	28.5	–	–
Dividend paid	7	–	–	–
At 31 December 2017		376.8	(609.2)	3,728.0

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2018 AND 31 DECEMBER 2017. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2018 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associates $M	Foreign currency translation reserve $M	Retained earnings $M	Total $M
1.3	(38.2)	–	28.8	–	981.3	5,682.1
–	3.3	(3.3)	–	–	–	–
1.3	(34.9)	(3.3)	28.8	–	981.3	5,682.1
–	–	–	–	–	147.2	147.2
–	(5.6)	(0.4)	–	–	–	(6.0)
–	(5.6)	(0.4)	–	–	147.2	141.2
–	–	–	–	–	–	34.7
(0.1)	–	–	–	–	–	(0.1)
–	–	–	–	–	(132.3)	(132.3)
1.2	(40.5)	(3.7)	28.8	–	996.2	5,725.6
1.1	(31.9)	–	20.4	(9.3)	580.6	4,029.0
–	–	–	–	–	165.9	165.9
–	–	–	0.4	3.8	–	4.2
–	–	–	0.4	3.8	165.9	170.1
–	–	–	–	–	1.0	–
–	–	–	–	–	–	28.5
–	–	–	–	–	(125.3)	(125.3)
1.1	(31.9)	–	20.8	(5.5)	622.2	4,102.3

Consolidated interim statement of financial position

AS AT 31 DECEMBER 2018

	NOTES	Unaudited As at 31 Dec 2018 $M	Audited As at 30 Jun 2018 $M
Non-current assets			
Property, plant and equipment	8	6,453.6	6,378.0
Investment properties	9	1,443.0	1,425.6
Investment in associates and joint ventures	6	102.1	104.4
Derivative financial instruments		121.7	110.4
		8,120.4	8,018.4
Current assets			
Cash and cash equivalents		64.8	106.7
Inventories		0.2	0.2
Trade and other receivables		102.8	71.5
		167.8	178.4
Total assets		8,288.2	8,196.8
Shareholders' equity			
Issued and paid-up capital	10	438.9	404.2
Reserves		4,290.5	4,296.6
Retained earnings		996.2	981.3
		5,725.6	5,682.1
Non-current liabilities			
Term borrowings	11	1,856.1	1,893.5
Derivative financial instruments		49.1	38.9
Deferred tax liability		253.9	251.4
Other term liabilities		1.9	1.8
		2,161.0	2,185.6
Current liabilities			
Accounts payable and accruals		96.3	148.0
Taxation payable		12.3	12.9
Derivative financial instruments		0.4	1.3
Short-term borrowings	11	291.8	166.8
Provisions		0.8	0.1
		401.6	329.1
Total equity and liabilities		8,288.2	8,196.8

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2018 AND 31 DECEMBER 2017. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2018 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Consolidated interim cash flow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	NOTES	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		352.1	322.9
Interest received		1.0	0.5
		353.1	323.4
Cash was applied to:			
Payments to suppliers and employees		(110.7)	(87.7)
Income tax paid		(49.0)	(49.1)
Interest paid		(38.3)	(39.2)
		(198.0)	(176.0)
Net cash flow from operating activities	5	155.1	147.4
Cash flow from investing activities			
Cash was provided from:			
Dividends from associates and joint ventures		7.2	9.9
		7.2	9.9
Cash was applied to:			
Purchase of property, plant and equipment		(153.3)	(186.6)
Interest paid – capitalised		(2.7)	(5.2)
Expenditure on investment properties		(24.5)	(54.7)
Investment in joint ventures		(0.6)	–
		(181.1)	(246.5)
Net cash flow applied to investing activities		(173.9)	(236.6)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital		–	0.1
Increase in borrowings		150.0	312.2
		150.0	312.3
Cash was applied to:			
Decrease in borrowings		(75.0)	(145.0)
Dividends paid	7	(98.1)	(96.9)
		(173.1)	(241.9)
Net cash flow applied to financing activities		(23.1)	70.4
Net decrease in cash held		(41.9)	(18.8)
Opening cash brought forward		106.7	45.1
Ending cash carried forward		64.8	26.3

THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS HAVE NOT BEEN AUDITED. THEY HAVE BEEN THE SUBJECT OF A REVIEW BY THE AUDITORS PURSUANT TO NEW ZEALAND STANDARD FOR REVIEW ENGAGEMENTS 2410 FOR THE SIX-MONTH PERIODS TO 31 DECEMBER 2018 AND 31 DECEMBER 2017. THE FULL YEAR FINANCIAL STATEMENTS TO 30 JUNE 2018 HAVE BEEN AUDITED. THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Notes and accounting policies

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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 company was re-registered under the Companies Act 1993 on 6 June 1997. The company is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Auckland Airport and its wholly owned subsidiaries and associates (the group).

These interim financial statements were authorised for issue in accordance with a resolution of the directors on 22 February 2019.

2. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Financial Markets Conduct Act 2013 and the Main Board/Debt Market Listing Rules of NZX Limited. The interim financial statements comply with New Zealand Equivalent to International Accounting Standards NZ IAS 34 and IAS 34 *Interim Financial Reporting*.

Auckland Airport is designated as a profit-oriented entity for financial reporting purposes.

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Annual Report for the year ended 30 June 2018 ('2018 Annual Report').

The accounting policies set out in the 2018 Annual Report have been applied consistently to all periods presented in these interim financial statements, except as identified below. The following changes to accounting standards have been adopted in the preparation of these financial statements.

NZ IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification and measurement of financial assets and financial liabilities and replaces the NZ IAS 39 requirements for hedge accounting. The implementation of NZ IFRS 9 has resulted in changes to accounting policies as follows:

Classification and measurement
From 1 July 2018, Auckland Airport classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The classification of financial instruments has not resulted in any reclassification between measurement categories for Auckland Airport's financial assets and liabilities compared with prior reporting periods.

Impairment
Under NZ IFRS 9, on initial recognition of a financial asset, Auckland Airport assesses on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortised cost.

For trade receivables, the simplified approach to measuring expected credit loss is adopted, which uses a lifetime expected loss allowance.

Based on an assessment carried out, the impairment loss on financial assets was immaterial. As a result, there have been no measurement changes required to these financial statements by NZ IFRS 9.

Hedging
The cross-currency interest rate swaps and interest rate swaps in place as at 30 June 2018 qualified as fair value and cash flow hedges under IFRS 9. Auckland Airport's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these hedging relationships are therefore treated as continuing hedges.

2. Basis of preparation and accounting policies CONTINUED

Changes in the fair value of the cost to convert foreign currency to New Zealand dollars (NZD) of cross-currency interest rate swaps are now separately accounted for as a cost of hedging and recognised within a new reserve within equity (cost of hedging reserve). Auckland Airport has applied NZ IFRS 9 retrospectively but has elected not to restate comparative information as there is no material quantitative impact on the financial statements.

NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual reporting periods beginning on or after 1 January 2018. It replaces the revenue recognition guidance in NZ IAS 18 *Revenue* and NZ IAS 11 *Construction Contracts*. NZ IFRS 15 establishes a five-step model for revenue recognition, which is centred on identifying the performance obligations in a contract and recognising revenue when each performance obligation is satisfied. Auckland Airport has considered the new guidance and identified the main performance obligations for each of its key revenue streams. For all revenue streams in scope of NZ IFRS 15 there were no changes in timing of revenue recognition. The new standard does not apply to rental income, which is recognised under NZ IAS 17.

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

NZ IFRS 16 *Leases* is effective for annual periods beginning on or after 1 January 2019. The group reviewed leases where the group is the lessor and has concluded that these will remain as operating leases under NZ IFRS 16. The group also reviewed leases where the group is the lessee and has concluded that there is no material impact on the financial statements. The group will apply NZ IFRS 16 from 1 July 2019. Further information can be found in the 2018 Annual Report.

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.

3. Segment information

(a) Identification of reportable segments

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

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive at least monthly. The chief executive assesses performance of the operating segments based on segment EBITDAFI. Interest income and expenditure, taxation, depreciation, fair value adjustments, 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 passengers, visitors and airport staff.

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.

3. Segment information CONTINUED

Six months ended 31 December 2018 (unaudited)	Aeronautical $M	Retail $M	Property $M	Total $M
Total segment income	171.7	149.0	47.1	367.8
Total segment expenses	42.4	15.9	12.1	70.4
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	129.3	133.1	35.0	297.4
Six months ended 31 December 2017 (unaudited)				
Total segment income	162.6	126.0	41.4	330.0
Total segment expenses	41.1	13.8	8.7	63.6
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	121.5	112.2	32.7	266.4

Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2017: nil).

(c) Segment reconciliation of segment EBITDAFI to income statement:

	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Segment EBITDAFI	297.4	266.4
Unallocated external operating income	2.8	2.4
Unallocated external operating expenses	(23.1)	(18.7)
Total EBITDAFI as per income statement	277.1	250.1
Share of profit of associates and joint ventures	4.3	11.1
Depreciation	(50.0)	(40.7)
Derivative fair value increase / (decrease)	0.2	(3.0)
Investment property fair value increase	11.1	41.5
Interest expense and other finance costs	(40.1)	(38.6)
Profit before taxation	202.6	220.4

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

4. Profit for the period

	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Staff expenses comprise:		
Salaries and wages	23.5	21.4
Employee benefits	2.0	2.1
Share-based payment plans	0.4	0.3
Defined contribution superannuation	0.8	0.7
Other staff costs	3.1	2.8
	29.8	27.3
Interest expense and other finance costs comprise:		
Interest on bonds and related hedging instruments	20.2	19.7
Interest on bank facilities and related hedging instruments	6.1	9.2
Interest on USPP notes and related hedging instruments	8.9	8.8
Interest on AMTN notes and related hedging instruments	5.3	4.0
Interest on commercial paper and related hedging instruments	2.3	2.1
	42.8	43.8
Less capitalised borrowing costs	(2.7)	(5.2)
	40.1	38.6
Interest rate for capitalised borrowings costs	4.29%	4.29%

The gross interest costs of bonds, bank facilities, USPP, AMTN and commercial paper, excluding the impact of interest rate hedges, was $40.4 million for the period ended 31 December 2018 (31 December 2017: $42.3 million).

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

	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Profit after taxation	147.2	165.9
Non-cash items:		
Depreciation	50.0	40.7
Deferred taxation expense	7.0	7.3
Share based payments	0.4	–
Equity accounted earnings from associates and joint ventures	(4.3)	(4.4)
Equity accounted earnings from associate held for sale	–	(6.7)
Investment property fair value increase	(11.1)	(41.5)
Derivative fair value (increase) / decrease	(0.2)	3.0
Gain on foreign currency movements	–	(0.2)
Items not classified as operating activities:		
Decrease in property, plant and equipment retentions and payables	51.7	34.5
(Increase) / decrease in investment property retentions and payables	(2.8)	3.0
Movement in working capital:		
Increase in trade and other receivables	(31.3)	(13.1)
Decrease in taxation payable	(0.6)	(1.9)
Decrease in accounts payable	(51.0)	(39.4)
Increase in other term liabilities	0.1	0.2
Net cash flow from operating activities	155.1	147.4

6. Associates and joint ventures

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

	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
Movement in investment in associates and joint ventures continuing		
Investment in associates at the beginning of the period	104.4	171.6
Further investment in joint ventures	0.6	–
Share of profit after tax of associates and joint ventures	4.3	4.4
Share of dividends received and repayment of partner contribution	(7.2)	(3.2)
Movement in investment in associate held for sale		
Share of profit after tax of associate held for sale	–	6.7
Share of reserves of associate held for sale	–	0.4
Share of dividends received from associate held for sale	–	(3.9)
Foreign currency translation	–	3.8
Investment in associates and joint ventures at the end of the period	102.1	179.8

Carrying value of investments in associates and joint ventures:

	Unaudited As at 31 Dec 2018 $M	Audited As at 30 Jun 2018 $M
Investment in associates and joint ventures continuing		
Tainui Auckland Airport Hotel Limited Partnership	30.2	33.7
Tainui Auckland Airport Hotel 2 Limited Partnership	3.6	3.0
Queenstown Airport Corporation Limited	68.3	67.7
Total	102.1	104.4

7. Distribution to shareholders

	Dividend payment date	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M
2017 final dividend of 10.50 cps	20 October 2017	–	125.3
2018 final dividend of 11.00 cps	19 October 2018	132.3	–
Total dividends paid		132.3	125.3

The company has a dividend reinvestment plan. During the period ended 31 December 2018, $34.2 million of dividends were reinvested and $98.1 million were paid in cash (31 December 2017: $28.4 million reinvested and $96.9 million paid in cash).

8. Property, plant and equipment

	Unaudited As at 31 Dec 2018 $M	Audited As at 30 Jun 2018 $M
At fair value	6,403.4	6,267.2
At cost	160.4	132.4
Work in progress at cost	195.8	248.0
Accumulated depreciation	(306.0)	(269.6)
Net carrying amount	6,453.6	6,378.0

The group carries land, buildings and services, infrastructure and runway, taxiways and aprons at fair value.

At 31 December 2018 the group assessed that carrying amounts do not differ materially from fair value.

Vehicles, plant and equipment and work in progress are carried at cost.

Additions to property, plant and equipment were $104.4 million for the six months ended 31 December 2018 (six months ended 31 December 2017: $155.7 million).

Transfers from investment property were $21.6 million for the six months ended 31 December 2018 (transfers to investment property for the six months ended 31 December 2017: $1.1 million).

9. Investment properties

	Unaudited 6 months to 31 Dec 2018 $M	Audited As at 30 Jun 2018 $M
Balance at the beginning of the period	1,425.6	1,198.0
Additions – subsequent expenditure	26.5	54.2
Additions – acquisitions or development	1.4	20.1
Transfer (to) / from property, plant and equipment (note 8)	(21.6)	1.1
Change in net revaluations	11.1	152.2
Balance at the end of the period	1,443.0	1,425.6

Investment property is measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Auckland Airport commissions investment property valuations at 30 June each year and undertakes a desktop review at 31 December each year.

At 31 December 2018 and 31 December 2017, a desktop review was performed by Auckland Airport which comprised a review of recent comparable transactional evidence of market sales and leasing activity using market data provided by Colliers. The desktop review and market data provided by Colliers did not include full property inspections or the issue of new reports but examined the likely effect on property values of the investment environment applicable at the relevant time.

At 31 December 2018, a further review of one recently constructed investment property was performed by Savills. The reviews and market data at 31 December 2018 concluded that there was a material movement in the fair value of that particular property versus cost but no material fair value movements in the remainder of the portfolio.

The valuation of the recently constructed investment property resulted in an $11.1 million increase in the fair value at 31 December 2018 (31 December 2017: $41.5 million increase).

10. Issued and paid-up capital

	Unaudited 6 months to 31 Dec 2018 $M	Unaudited 6 months to 31 Dec 2017 $M	Unaudited 6 months to 31 Dec 2018 Shares	Unaudited 6 months to 31 Dec 2017 Shares
Opening issued and paid-up capital at 1 July	404.2	348.3	1,201,875,336	1,192,614,174
Shares fully paid and allocated to employees by employee share scheme	0.3	0.1	64,200	11,000
Shares vested for employees participating in long-term incentive plans	0.2	–	125,515	–
Shares issued under the dividend reinvestment plan	34.2	28.4	4,839,421	4,655,612
Closing issued and paid-up capital	438.9	376.8	1,206,904,472	1,197,280,786

11. Borrowings

	Unaudited As at 31 Dec 2018 $M	Audited As at 30 June 2018 $M
Current		
Commercial paper	91.8	91.8
Bank facilities	100.0	–
Bonds	100.0	75.0
Total short-term borrowings	291.8	166.8
Non-current		
Bank facilities	80.0	180.0
Bonds	875.0	825.0
USPP notes	608.4	592.2
AMTN notes	292.7	296.3
Total term borrowings	1,856.1	1,893.5
Total		
Commercial paper	91.8	91.8
Bank facilities	180.0	180.0
Bonds	975.0	900.0
USPP notes	608.4	592.2
AMTN notes	292.7	296.3
Total borrowings	2,147.9	2,060.3

Bank facilities
In July 2018 a new $100.0 million evergreen standby facility with ANZ bank was established. The new facility is perpetual in nature with an initial review period of 15 months. There was a corresponding reduction in existing standby facilities by $100.0 million.

Bonds and notes
In the period to 31 December 2018 the company undertook the following bond financing activity:

- The repayment of $75.0 million of three-year floating rate notes in October 2018;
- The issuance of $150.0 million of six-year, 3.51 percent fixed rate bonds in October 2018;

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

12. Financial risk management

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

The interim consolidated financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2018.

Further information on risk management is also contained in the corporate governance section of the 2018 Annual Report.

There have been no significant changes in the financial risk management objectives and policies since 30 June 2018.

13. Fair value of financial instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2018 (30 June 2018: nil)

The following financial instruments are carried at amortised cost, which approximates their fair value:

- cash;
- trade and other receivables;
- accounts payable and accruals;
- other term liabilities; and
- borrowings issued at floating rates.

Borrowings issued at fixed rates, including bonds, USPP notes and AMTN notes, are carried at amortised cost, which may differ from their fair value. The fair values are determined as follows.

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.

The group's AMTN notes are classified as level 2. The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	Unaudited 31 Dec 2018		Audited 30 Jun 2018	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Bonds	975.0	1,012.4	900.0	930.1
USPP Notes	608.4	607.3	592.2	599.8
AMTN Notes	292.7	293.4	296.3	303.2

The group's derivative financial instruments are carried at fair value and are classified as level 2. The fair values are determined on a discounted cash flow basis. The future cash flows are forecast using the key inputs presented in the table below.

The forecast cash flows are discounted at a rate that reflects the credit risk of various counterparties to the derivative financial instruments.

	Unaudited Fair value As at 31 Dec 2018 $M	Audited Fair value As at 30 Jun 2018 $M	Valuation key inputs
Interest rate swaps			
Liabilities	(49.5)	(40.2)	Forward interest rates (from observable yield curves) and contract interest rates.
Interest basis swaps			
Assets	1.6	1.8	Observable forward basis swap pricing and contract basis rates.
Cross currency interest rate swaps			
Assets	120.1	108.6	Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates.

14. Commitments

(a) Property, plant and equipment

The group had contractual obligations to purchase or develop property, plant and equipment for $63.8 million at 31 December 2018 (30 June 2018: $77.2 million).

(b) Investment property

The group had contractual obligations to purchase or develop investment property for $214.1 million at 31 December 2018 (30 June 2018: $173.1 million).

The group had contractual commitments for repairs, maintenance and enhancements on investment property for $4.2 million at 31 December 2018 (30 June 2018: $5.1 million).

15. Contingent liabilities

Noise insulation

The group has obligations to mitigate the impacts of aircraft noise on the local community in accordance with a 2001 Environment Court determination. It offers acoustic treatment to schools and existing houses within defined areas.

A total of 18 homeowners accepted offers during the period and the group recorded a provision for the estimated cost of fulfilling its obligation to those homeowners.

It is estimated that, overall, further noise insulation costs associated with the 2001 Environment Court determination for the existing and planned second runway will not exceed $9.0 million (30 June 2018: $9.0 million).

Firefighting foam clean up

The group has an obligation to dispose of PFOS/PFOA contaminated firefighting foam inventory. PFOS/PFOA containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand.

The Ministry for the Environment is yet to determine if the airport sector will need to perform any additional decontamination tasks other than disposing of surplus inventory, but our investigations to determine the extent of any contamination are ongoing.

The group provided $1.2 million in the 2018 financial year for the expected disposal costs. At this time, the potential cost of any yet to be determined decontamination obligations has not been provided for in the financial statements.

16. Events subsequent to balance date

On 22 February 2019, the directors approved the payment of a fully imputed interim dividend of 11 cents per share, amounting to $132.8 million to be paid on 5 April 2019.

On 14 February 2019, the directors of Queenstown Airport declared a dividend of $1.0 million. The group's share of the dividend is $0.2 million and was received on 15 February 2019.

Deloitte.

INDEPENDENT REVIEW REPORT
TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

We have reviewed the condensed consolidated interim financial statements of Auckland International Airport Limited ('the Company') and its subsidiaries ('the Group') which comprise the condensed consolidated interim statement of financial position as at 31 December 2018, and the condensed consolidated interim income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 18 to 34.

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

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Auckland International Airport Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Our firm carries out other assignments for Auckland International Airport Limited in the area of taxation advice, AGM vote scrutineering assistance and assurance reporting for regulatory purposes. These services have not impaired our independence as auditor of the Group. 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. The firm has no other relationship with, or interest in, the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Deloitte Limited

22 February 2019
Chartered Accountants
AUCKLAND, NEW ZEALAND

This review report relates to the unaudited condensed consolidated interim financial statements of Auckland International Airport Limited for the 6 months ended 31 December 2018 included on Auckland International Airport Limited's website. The Board of Directors is responsible for the maintenance and integrity of Auckland International Airport Limited's website. We have not been engaged to report on the integrity of Auckland International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and related review report dated 22 February 2019 to confirm the information included in the unaudited condensed consolidated interim 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.

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) and was granted Foreign Exempt Listing Entity status by ASX on 22 April 2016.

The company's shares were quoted on the NZX on 28 July 1998. The company's shares were quoted on the ASX effective 1 July 2002. The company has established an American Depository Receipts (ADR) program, under which each ADR represents five ordinary shares in the company. The ADRs are traded over the counter in the United States.

The total number of voting securities on issue as at 31 December 2018 was 1,207,546,966.

Waivers granted by the NZX

The company was issued with a waiver of Listing Rule 5.2.3 by NZX on 12 September 2018 (for a period of six months from 11 October 2018) in respect of the company's October 2018 issue of $150 million of unsecured and unsubordinated fixed rate bonds ("Bonds").

Listing Rule 5.2.3 (as modified by NZX's ruling on Rule 5.2.3 issued on 29 September 2015) provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 100 members of the public, holding at least 25% of the number of securities in the class issued, with each member holding at least a minimum holding, and those requirements are maintained.

The waiver was granted on the conditions that (i) the wavier and its implications were prominently disclosed in the terms sheet for the Bonds and any other offering document relating to an offer of the Bonds made during the period of the waiver, (ii) the waiver, its conditions and their implications are prominently disclosed in the company's interim and annual reports for the period the waiver is relied upon, (iii) the terms sheet for the Bonds disclosed liquidity in the Bonds as a risk, and (iv) the company is to notify NZX as soon as practicable if there is a material reduction in the total number of, and/or percentage of the Bonds held by, members of the public holding at least a minimum holding of the Bonds.

The effect of the waiver from Listing Rule 5.2.3 is that the Bonds may not be widely held and there may be reduced liquidity in the Bonds.

Auditors

Deloitte has continued to act as auditors of the company, and has undertaken a review of the financial statements for the six months to 31 December 2018.

Credit rating

As at 31 December 2018, the S&P Global Ratings' long-term debt rating for the company was A- Stable Outlook and the short-term debt rating was A-2.

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.

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 Secretary at the registered office.

Share Registrars

New Zealand:

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Level 11, Deloitte Centre
80 Queen Street
Auckland 1010

PO Box 91976
Auckland 1142

Australia:

Link Market Services
Limited Level 12
680 George Street
Sydney
NSW 2000

Locked Bag A14
Sydney South
NSW 1235

Financial calendar	Half year	Year
Results announced	February	August
Reports published	February	August
Dividends paid	April	October
Annual meeting	–	October
Disclosure financial statements	–	November

Corporate directory

DIRECTORS

Dr Patrick Strange, chair
Mark Binns
Brett Godfrey
Dean Hamilton
Julia Hoare
Tania Simpson
Justine Smyth
Christine Spring

SENIOR MANAGEMENT

Adrian Littlewood
chief executive

Philip Neutze
chief financial officer

Richard Barker
general manager retail and commercial

Anna Cassels-Brown
general manager operations

Jason Delamore
general manager marketing and technology

André Lovatt
general manager airport development and delivery

Scott Tasker
general manager aeronautical commercial

Mark Thomson
general manager property

Mary-Liz Tuck
general manager corporate affairs

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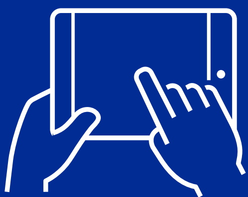
New Zealand

GENERAL COUNSEL AND COMPANY SECRETARY

Mary-Liz Tuck

AUDITORS

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



Online report

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

aucklandairport.co.nz

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