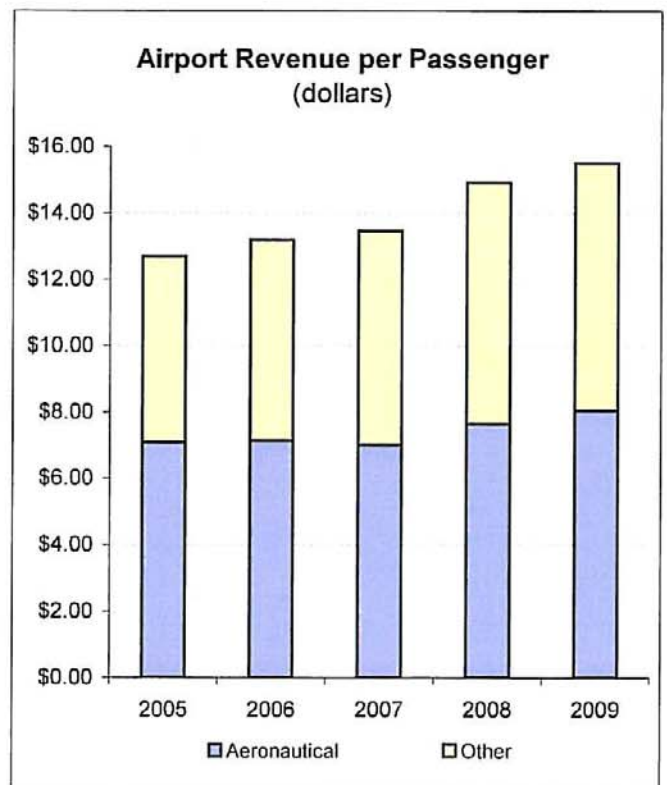
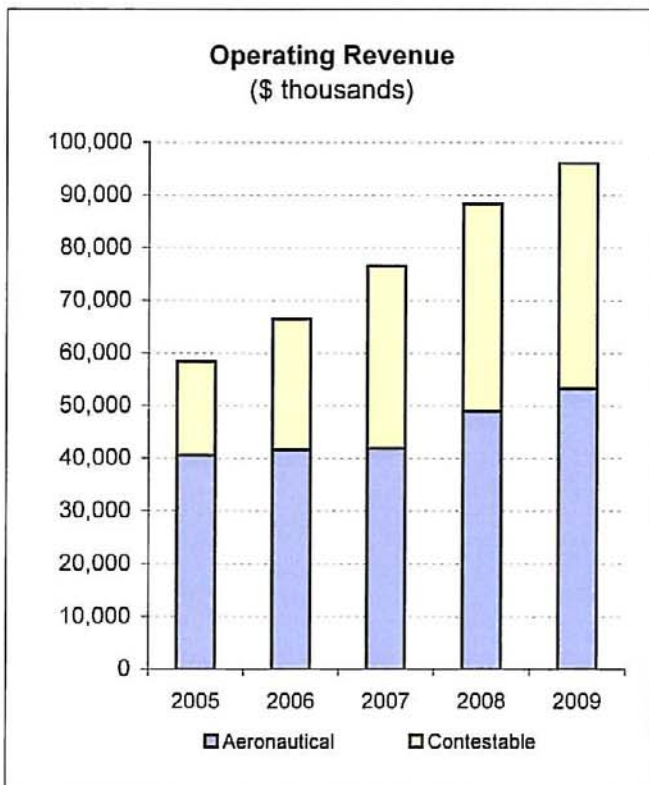
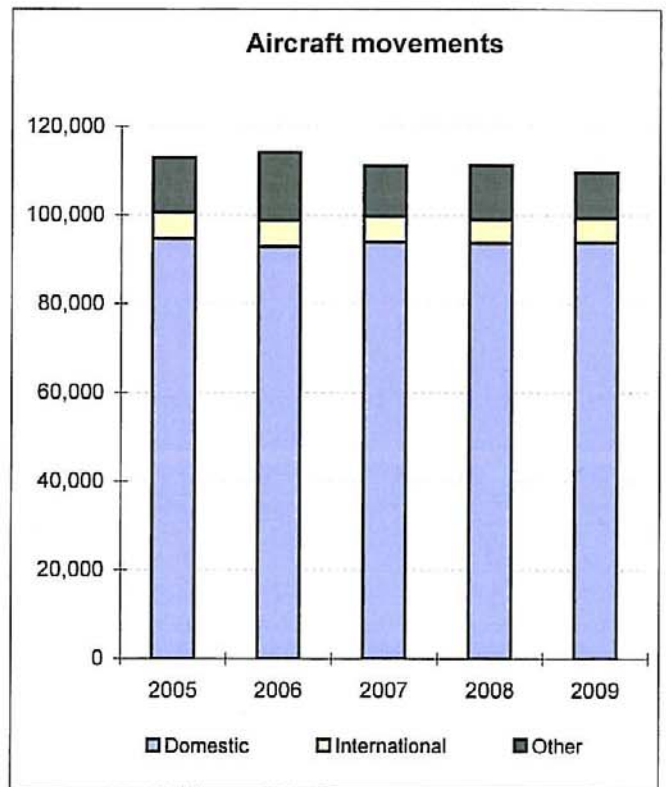
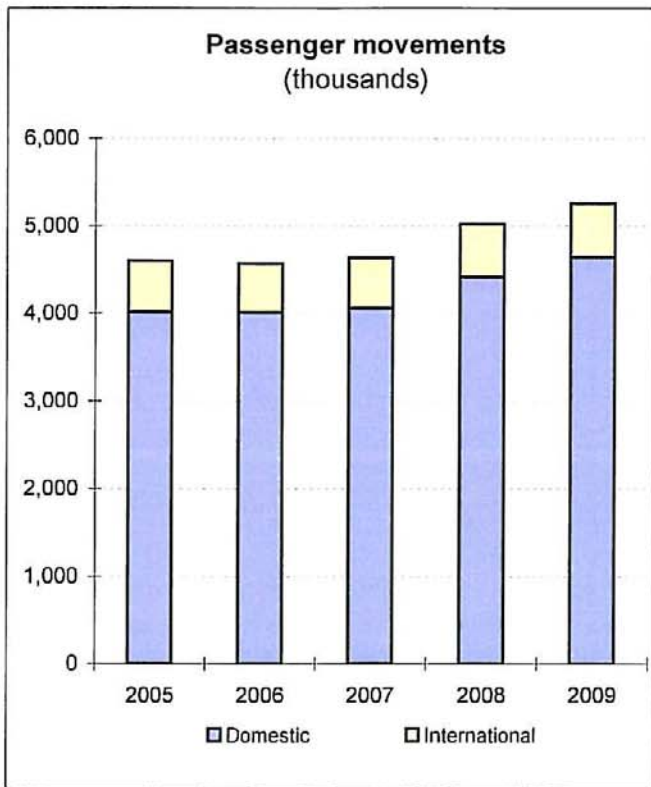




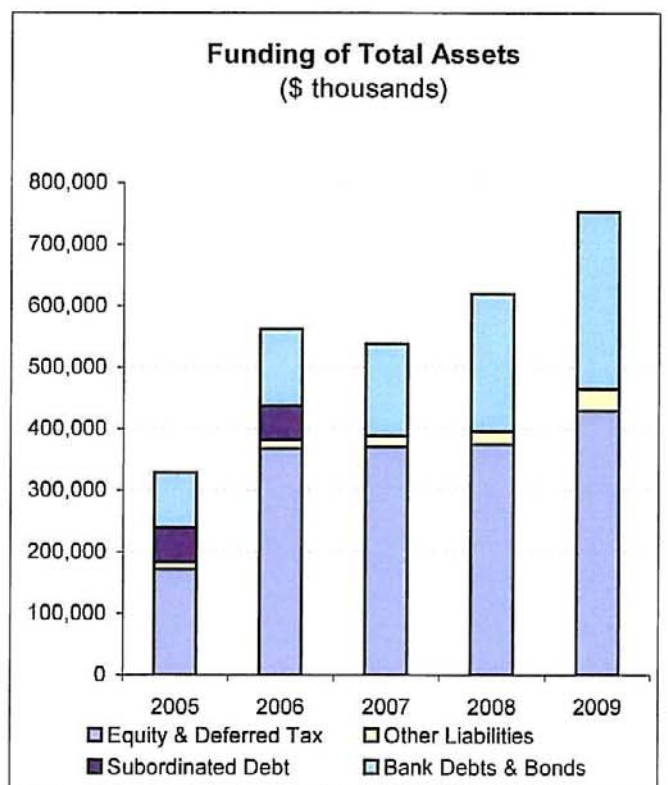
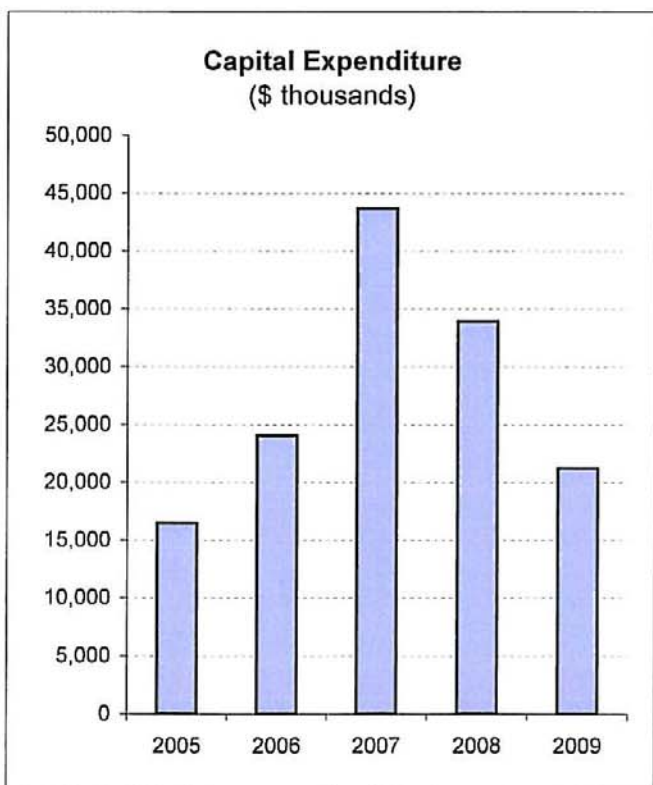
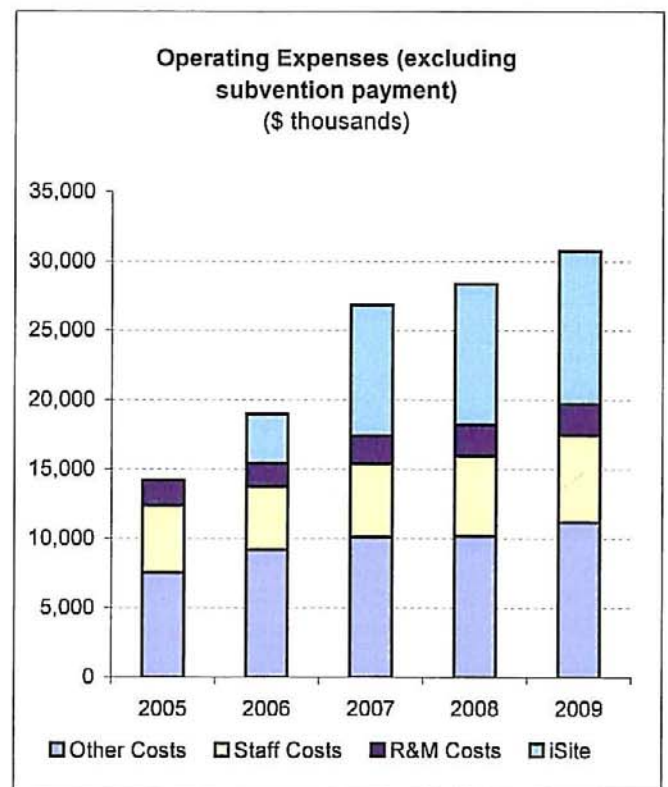
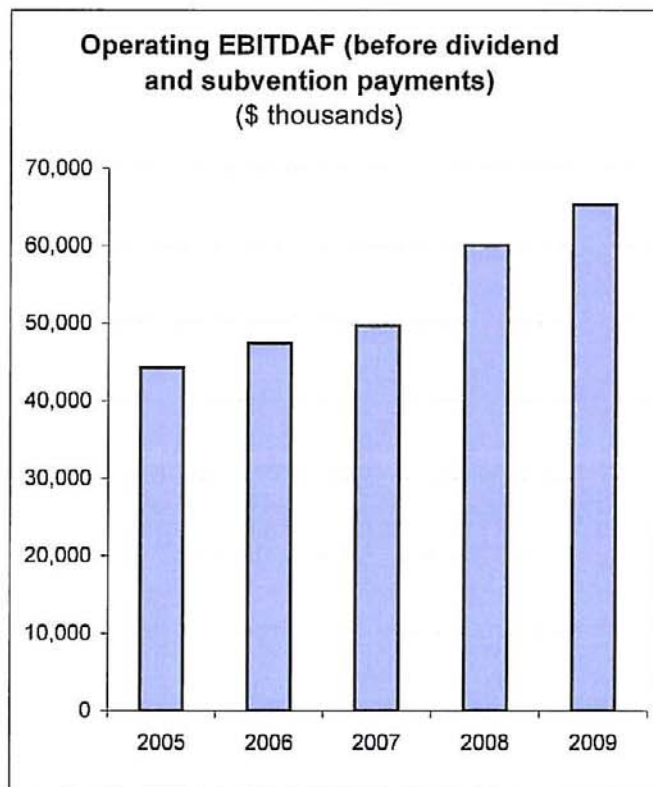
**WELLINGTON
INTERNATIONAL AIRPORT LIMITED
(WIAL)**

**Consolidated Annual Report
For the Year Ended 31 March 2009**

2005 to 2009: FIVE YEAR SUMMARY



2005 to 2009: FIVE YEAR SUMMARY



DIRECTORS' REPORT

The directors have pleasure in presenting to shareholders their nineteenth consolidated annual report for Wellington International Airport Limited (WIAL) for the year ended 31 March 2009.

Directors

The directors of WIAL during the period were:

- David Newman, Chairman
- Timothy Brown
- Steven Fitzgerald
- Kerry Prendergast
- Paul Ridley-Smith (*resigned 21 August 2008*)
- Kevin Baker (*appointed 21 August 2008*)
- Denis Thom

Company's Affairs and Nature of Business

WIAL provides airport facilities and services. WIAL's 100% subsidiary, iSite Limited, provides out of home advertising products.

The directors regard the state of the Group's affairs to be satisfactory.

The nature of the Group's business has not changed during the period under review.

Earnings

Total revenue for the year was \$96.1 million. The profit after taxation amounted to \$7.0 million.

Dividends

A dividend of \$7.2 million was paid to Wellington City Council on 26 August 2008.

Retained Earnings Reserve

The total increase in equity for the year, being the total recognised revenues net of expenses less dividends paid was \$40.9 million. The retained earnings reserve at 31 March 2009 totaled \$144.3 million.

Revaluation Reserves

The revaluation reserve has been updated for Property, Plant and Equipment assets. The increase in the Property, Plant and Equipment reserve of \$53.1 million during the year represented adjustments arising from a revaluation of assets at 31 March 2009 and a movement in deferred taxation. The total revaluation reserve at 31 March 2009 was \$224.1 million.

Liabilities and Funding

The liabilities of WIAL are not guaranteed in any way by the shareholders. The Group's borrowing activities have been conducted in accordance with this policy. In particular, funding documentation does not contain any guarantee of its liabilities by the shareholders.

Auditors

KPMG remained the Group's auditors during the year.

On behalf of the Board



David Newman
Chairman
15 May 2009



Denis Thom
Director
15 May 2009

CHAIRMAN AND CHIEF EXECUTIVE REPORT

Introduction

Wellington Airport is able to report strong results both financially and operationally, despite the recessionary environment and is well placed for the inevitable upturn.

Total passenger numbers for the year increased 4.7% to 5.3 million which was substantially helped by the entry of Pacific Blue into the domestic market in November 2007. International passenger numbers also benefited from the stimulation of competition on the Brisbane route.

In February 2009, Qantas announced that its low cost subsidiary Jetstar would be commencing services in New Zealand replacing the Qantas brand in the domestic market from June 2009. This will further increase competition and encourage demand on the main trunk routes.

In addition to the increased aeronautical activity, further enhancement of passenger services and completion of the Retail Park tenancing have increased income from both these sources.

Over the year, Wellington Airport completed a number of major capital expenditure projects, including the runway end safety areas and completion of the initial stages of the international terminal expansion and upgrade. Capital work is continuing on the final stages of "The Rock" departure lounge and the resurfacing of the runway.

Following up on its \$150 million 10 year bond issue in 2007, Wellington Airport completed the refinancing of the remainder of its bank debt via a \$100 million issue of five year bonds. This form of long dated debt suits the nature of the Company's assets and income flows. As at 31 March 2009, Wellington Airport still retained some bank borrowing but these loans are being repaid from cash on deposit as they fall due. Wellington Airport retains a small level of bank standby facilities.

Aeronautical Activities

Total passenger numbers for the year ended 31 March 2009 increased 4.7% to 5.3 million.

Domestic passengers increased 5.2% to 4.6 million following the introduction of Pacific Blue services in November 2007 and the subsequent competitive response from other airlines. This increase is despite the impact of the economic climate and reduction of services by Qantas.

International passengers increased 1.3% to 0.6 million. Tasman services have been less impacted than long haul routes at other airports (at present Wellington has no long-haul services) and reflect the increasing integration of Australian-Tasman-New Zealand markets and the resulting heightened competition and hence growth. In particular, Pacific Blue's expansion of services to Brisbane has resulted in increased competition and an increase in passenger numbers on this route.

	2009	2008	% Change
Domestic passengers	4,645,402	4,416,097	5.20%
International passengers	610,996	603,344	1.30%
Total passengers	5,256,398	5,019,441	4.70%

Developments

Wellington Airport continues to improve its passenger experience as the region's gateway. Over the year, the \$31.5 million runway end safety areas were completed and work was initiated on the \$13 million resurfacing of the runway. Construction commenced on the \$39 million international departure terminal, known as "The Rock," which will double international processing capability from 500 to 1,000 passengers per hour. After completion of "The Rock" in mid 2010, no major capital expenditure is forecast over the next couple of years.

Wellington Airport is in the process of completing its 2030 Master Plan, which is a vision of developments out to the year 2030 aligned with an average passenger growth rate of 3.4% per annum. By 2030, 10 million passengers are forecast to be using the Airport each year, doubling the current passenger numbers. The draft 2030 Master Plan was released for public consultation on 30 April 2009 with comments due by 30 August. For further details please see www.wellingtonairport.co.nz.

Passenger services were enhanced with the opening of Mojo Cafe, Essity, Beach Culture and Cargo, and the redevelopment of Whitcoulls and the CD & DVD Store. The upgraded bus terminal facilities and waiting area have also been very popular, with bus passengers to the Airport almost doubling over the year. Also popular with passengers has been the introduction of Air New Zealand's new and efficient domestic check-in facilities.

Last year, the outgoing Labour Government passed the Commerce Amendment Act which resulted in the three main airports of New Zealand being subject to a new disclosure regime that is to be defined by the Commerce Commission following extensive consultation. Wellington Airport will be engaging with this process to demonstrate the value for money of its offering and the benefits resulting from its proactive and customer focused business model.

Financial Results

Revenue of \$96.1 million was 8.7% higher than the \$88.4 million recorded the prior year due to increased domestic passenger volumes and higher property and passenger services income. After deducting operating costs earnings before interest, tax, depreciation, amortisation and fair value adjustments were \$65.3 million up 8.9% on last year's \$60.0 million.

Aeronautical income of \$53.2 million was 8.7% higher than last year, passenger services income was \$23.6 million (+8.2%) and property and other income was \$19.3 million (+9.3%).

	2009 \$000	2008 \$000	% Change
Aeronautical revenue			
Landing and terminal charges	42,343	38,364	10.40%
International departure fees	6,389	6,298	1.40%
Property rent and lease income	4,475	4,279	4.60%
Total aeronautical revenue	53,207	48,941	8.70%
Commercial revenue			
Passenger services income	23,561	21,779	8.20%
Property rent and other income	19,292	17,656	9.30%
Total commercial revenue	42,853	39,435	8.70%
Total operating revenue	96,060	88,376	8.70%

Wellington Airport undertook a revaluation of its assets and investments as at 31 March 2009 resulting in a net increase of \$64.2 million. In accordance with New Zealand International Financial Reporting Standards (NZ IFRS), this total value uplift included a charge of \$8.1 million taken through the profit and loss account while \$72.3 million was credited to reserves. None of the changes in value has any immediate cash consequences.

Operating and employee costs increased 8.4% to \$30.7 million, largely due to the costs associated with preparing the 2030 Master Plan and the Commerce Commission consultations.

Depreciation increased by \$0.9 million to \$12.9 million and interest costs by \$3.5 million to \$20.1 million, largely due to completion of capital works projects and, in the case of the interest cost, the early repayment of bank funding.

In the year, the Airport restructured its interest rate swaps which under NZ IFRS resulted in an unrealised gain of \$7.8 million. There was no cash aspect to the change and the unrealised gain will be reversed over future years until maturity of the swaps, again with no cash consequences.

Operating cash flow after interest and tax but before investment and financing activities and payments to shareholders (dividends and subvention payments) increased to \$48.2 million, from \$44.4 million the prior year.

Wellington Airport's profit after tax before payments to shareholders (dividends and subvention payments) increased to \$30.3 million, from \$29.3 million the previous year.

Tourism and Transportation

A key focus for Wellington Airport is to grow tourism and visitation to the Wellington region. This is achieved by joint marketing with airlines in New Zealand and Australia as well as tourism bodies. The Airport markets the Wellington region in partnership with tourism authorities including Positively Wellington Tourism, Tourism New Zealand and other local operators. It also contributes to event marketing, attracting domestic and international visitors to major attractions such as WOW, the New Zealand International Arts festival and Te Papa exhibitions. Aligning the "Wild at Heart" attitude with the city brand adds strength to positioning the Wellington region as a destination.

Wellington Airport works to ensure that people have good, timely and inexpensive access from the region. Initiatives include improving the Airport Flyer bus service and facilities at the Airport, working with taxi companies to improve services, and engagement with regional transport agencies over the Ngauranga to Airport Corridor Plan. This is in addition to providing a wide range of airport transport facilities and options including five different car parking choices and a free bike parking facility.

Our People and Community

The last 12 months have seen a significant change in the leadership team at Wellington Airport. The new position of Chief Operating Officer (COO) was created to bring together the operations and commercial teams - and a new position of Head of Commercial was created to report to the COO. External appointments have been made to the COO and Chief Financial Officer roles, broadening the experience base of the senior team.

Whilst Wellington Airport employs a dedicated team of around 80 staff, the travelers' experience is enhanced by the "Wild at Heart" service attitude engendered across a much wider team of around 1,400 people working at the Airport in day to day operations and over 6,000 people working in directly related employment. The Master Plan forecasts the number of people working in directly related employment to increase to almost 13,500 by 2030.

Wellington Airport actively assists its wider community with initiatives such as the Wellington High Performance Aquatics, a joint project with Infratil, the Wellington Airport Regional Community Awards with The Community Trust of Wellington, the Spirit Awards to students at local secondary schools, and sponsorship assistance to The Life Flight Trust, and the Miramar Golf Club. The sponsorship focus is "Fuelling our Community" which includes recognising the contribution of volunteers in our community, supporting local youth, and promoting high performance in the Wellington region.

Outlook

Wellington Airport is a strong business with good prospects for growth. The draft 2030 Master Plan forecasts a doubling of passengers by 2030. Although in the short term the impact of the recession will lower passenger volumes, demand can be resilient when encouraged by competitive airline activity.

The initiation of services by the low cost carrier Jetstar in June 2009 and the recently announced intention of Pacific Blue to offer services to regional New Zealand will further increase competition and stimulate demand.

The coming year will include an increased focus on non aeronautical activities, including car parking, retailing and other commercial activities. The year will also be one of consolidation, completing the major projects underway and otherwise focusing only on expenditure that is essential.

Wellington Airport is well placed financially and operationally to weather the current economic environment and to take advantage of the inevitable economic up-turn.

On behalf of the Board and management.



David Newman
Chairman
15-May-09



Steven Fitzgerald
Chief Executive
15-May-09

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Landing and terminal charges		42,343	38,364	42,343	38,364
International departure fees		6,389	6,298	6,389	6,298
Property rent and lease income		10,819	9,892	10,819	9,892
Retail and trading activities		36,509	33,822	23,561	21,779
Operating revenue		96,060	88,376	83,112	76,333
Operating expenses	4	(46,180)	(40,097)	(36,656)	(31,088)
Employee remuneration and benefits		(7,830)	(6,935)	(6,327)	(5,802)
Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF)		42,050	41,344	40,129	39,443
Investment property revaluation increase/(decrease)	12	(6,369)	642	(6,369)	642
Property, plant and equipment revaluation impairment		(946)	0	(946)	0
Change in value of financial instruments designated as fair value through statement of financial performance		7,758	0	7,758	0
Impairment loss and amortisation of intangibles	8	(2,060)	(1,593)	0	0
Total earnings before interest, taxation and depreciation (Total EBITD)		40,433	40,393	40,572	40,085
Depreciation	11	(12,871)	(11,982)	(12,404)	(11,494)
Operating earnings before interest and taxation		27,562	28,411	28,168	28,591
Net finance expense	5	(20,106)	(16,617)	(19,426)	(15,821)
Profit before taxation		7,456	11,794	8,742	12,770
Taxation expense	6	(453)	(1,146)	(716)	(1,127)
Profit after taxation		7,003	10,648	8,026	11,643

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Movement in revaluation reserve	21	53,077	2,638	53,077	2,638
Movement in cashflow hedge reserve	21	(12,040)	(466)	(12,040)	(466)
Income and expense recognised directly in equity		41,037	2,172	41,037	2,172
Profit after taxation for the year		7,003	10,648	8,026	11,643
Total recognised income and expense for the year		48,040	12,820	49,063	13,815

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current assets					
Cash and cash equivalents	9	65,470	3,733	64,654	2,441
Trade receivables	14	8,499	9,762	7,357	8,364
Intercompany receivables	14	0	0	186	115
Prepayments and sundry receivables	14	3,865	2,843	3,711	2,713
Fair value of derivatives	14	1,244	0	1,244	0
Total current assets		79,078	16,338	77,152	13,633
Non current assets					
Property, plant and equipment	11	602,500	525,495	601,246	524,053
Investment properties	12	59,554	62,809	59,554	62,809
Intangible assets	8	5,009	6,136	0	0
Investment in subsidiary	13	0	0	10,096	10,096
Intercompany loan		0	0	1,542	2,342
Goodwill	8	7,379	8,198	0	0
Deferred taxation asset	6	3,243	160	2,978	160
Total non current assets		677,685	602,798	675,416	599,460
Total assets		756,763	619,136	752,568	613,093
Current liabilities					
Bank debt	10	38,274	8,974	30,000	0
Accounts payable		4,591	3,597	3,613	2,513
Taxation payable		9,493	9,684	9,296	9,487
Accruals and other liabilities		9,403	7,308	9,467	7,295
Accrued employee benefits	15	1,065	930	966	889
Fair value of derivatives	14	10,781	96	10,781	96
Total current liabilities		73,607	30,589	64,123	20,280
Non current liabilities					
Commercial paper and bank debt	10	0	64,000	0	64,000
Long term bonds	10	250,000	150,000	250,000	150,000
Deferred tax liability	6	67,826	50,072	67,826	50,072
Total non current liabilities		317,826	264,072	317,826	264,072
Equity	21	365,330	324,475	370,619	328,741
Total equity and liabilities		756,763	619,136	752,568	613,093

On behalf of the Board



David Newman
Chairman
15 May 2009



Denis Thom
Director
15 May 2009

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		100,121	83,951	86,847	72,074
Interest received		1,116	302	1,116	302
		<u>101,237</u>	<u>84,253</u>	<u>87,963</u>	<u>72,376</u>
Cash was disbursed to:					
Payments to suppliers		(32,769)	(24,469)	(21,204)	(14,986)
Interest paid		(20,261)	(15,408)	(19,581)	(14,393)
Subvention payment	17	(23,287)	(18,679)	(23,287)	(18,679)
		<u>(76,317)</u>	<u>(58,556)</u>	<u>(64,072)</u>	<u>(48,058)</u>
Net cash flows from operating activities	16	<u>24,920</u>	<u>25,697</u>	<u>23,891</u>	<u>24,318</u>
Cash flows from investing activities					
Cash was applied to:					
Inter company loan		0	0	800	(50)
Proceeds from sale of fixed assets		27	0	0	0
Purchase of intangible assets		(114)	(432)	0	0
Purchase of fixed assets		(21,211)	(33,891)	(21,293)	(33,358)
Net cash (outflow) from investing activities		<u>(21,298)</u>	<u>(34,323)</u>	<u>(20,493)</u>	<u>(33,408)</u>
Cash flows from financing activities					
Issue of WIAL long term retail bonds	10	100,000	0	100,000	0
Issue of WIAL long term wholesale bonds	10	0	150,000	0	150,000
		<u>100,000</u>	<u>150,000</u>	<u>100,000</u>	<u>150,000</u>
Cash was applied to:					
Repay bank debt		(34,700)	(137,000)	(34,000)	(137,000)
Dividends paid	17	(7,185)	(5,643)	(7,185)	(5,643)
		<u>(41,885)</u>	<u>(142,643)</u>	<u>(41,185)</u>	<u>(142,643)</u>
Net cash inflow from financing activities		<u>58,115</u>	<u>7,357</u>	<u>58,815</u>	<u>7,357</u>
Net (decrease) /increase in cash held		61,737	(1,269)	62,213	(1,733)
Opening cash brought forward		3,733	5,002	2,441	4,174
Ending cash carried forward		<u>65,470</u>	<u>3,733</u>	<u>64,654</u>	<u>2,441</u>

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

(1) Accounting policies

(a) Reporting entity

Wellington International Airport Limited ("WIAL" and the "Company") is a Company established under the Wellington Airport Act 1990 and was incorporated in September 1990 in New Zealand. The commencing assets of Wellington International Airport were vested in the Company on 16 October 1990 by an Order in Council. The Company commenced trading on 16 October 1990. WIAL is registered under the Companies Act 1993. The registered office is located at Wellington Airport Terminal, Stewart Duff Drive, Wellington (New Zealand).

The financial statements of the Company are for the year ended 31 March 2009. The financial statements were approved by the board of directors on 15 May 2009.

(b) Basis of preparation

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB").

The financial statements for WIAL and its consolidated financial statements are presented. The consolidated financial statements comprise the Company and its subsidiary (the "Group") as at and for the year ended 31 March 2009.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZIFRS") and other applicable financial reporting standards as appropriate for profit-oriented entities.

The financial statements comprise statements of the following: statement of financial performance; recognised income and expenses; financial position; cash flows; and the notes to those statements.

The financial statements are prepared on the basis of historical cost, except that property, plant and equipment are revalued in accordance with accounting policy (d), investment properties in accordance with accounting policy (e) and financial derivatives in accordance with accounting policy (j).

These financial statements are presented in New Zealand Dollars (rounded to the nearest thousand) which is the Group's functional currency.

(ii) Accounting estimates and judgments

Management has been involved in the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 - Intangible assets
- Note 11 - Property, plant & equipment
- Note 12 - Investment properties
- Note 14 - Financial instruments

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(c) Basis of Preparing Consolidated Financial Statements

(i) Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

(ii) Acquisition during the year

Where an entity becomes part of the Group during the year, the results of the entity are included in the consolidated results from the date the control commenced.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(c) Basis of Preparing Consolidated Financial Statements continued

(iii) Goodwill arising on acquisition

Goodwill arising on the acquisition of a subsidiary represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the statement of financial performance and is not subsequently reversed. In respect of acquisitions prior to 1 April 2006 (the entity's date of transition to NZIFRS), goodwill is included on the basis of the amount recorded under New Zealand's previous GAAP on transition.

(iv) Transactions eliminated on consolidation

The effects of intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Property, plant and equipment

Fixed assets are recorded at cost (or fair value on acquisition) less accumulated depreciation and impairment losses, or at fair value with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. Fixed assets that are revalued, are revalued to their fair value determined by an independent valuation, in accordance with NZIAS 16: Property, Plant and Equipment. Where the assets are of a specialised nature and do not have observable market values in their existing use, depreciated replacement cost is used as the basis of the valuation, as required by the NZIAS 16. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

Land, buildings and civil works assets are measured at fair value. Fair value is determined on the basis of periodic independent valuation prepared by valuation experts. The fair values are recognised in the financial statements, and are reviewed at the end of each reporting period to ensure that the carrying values are not materially different from their fair values.

Any revaluation increase arising on the revaluation of land, buildings and civil works is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the statement of financial performance, in which case the increase is credited to the statement of financial performance to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of land, buildings, leasehold improvements and civil works is charged as an expense in the statement of financial performance to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and civil works is charged to the statement of financial performance. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes is transferred directly to retained earnings. Plant and equipment under finance leases are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Additions not yet subject to independent valuation, including capital work in progress, are recorded at cost plus capitalised interest where appropriate.

Depreciation is provided on a straight line basis and the major depreciation periods (in years) are:

Buildings	5 - 80
Civil works	5 - 80
Vehicles, plant and equipment	3 - 20

Individual assets' remaining useful lives and residual values are assessed during the revaluation process and depreciation is calculated on a basis consistent with those parameters.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(e) Investment properties

The directors of the Company have determined that the primary purpose of certain identified properties is obtaining the benefit of rental income and accordingly that these properties should be treated as investment properties. Investment property is measured at fair value with any change therein recognised in the statement of financial performance.

Investment properties are revalued annually to their fair value determined by an independent valuation, in accordance with NZIAS 40: Investment Property. Fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property and application of a yield that reflects the specific risks inherent in the net cash flows to arrive at a property valuation.

(f) Capital work in progress

The cost associated with the building of a fixed asset or investment property is treated as capital work in progress. These costs are transferred to the relevant fixed asset or investment property class when the asset begins to be used.

(g) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due.

(h) Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in accounts payable. Operating lease rentals are charged to the statement of financial performance on a straight line basis over the period of the lease. Lease incentives received are recognised in the statement of financial performance as an integral part of the total lease expense and spread over the lease term.

(i) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend. Current and deferred tax is recognised as an expense or income in the statement of financial performance, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(j) Derivative financial instruments

The Group is a party to derivative financial instruments as part of its day to day operating activities. When appropriate, it enters into agreements to manage its interest rate risk. In accordance with the Group risk management policies, the Group does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through the statement of financial performance.

Derivative financial instruments are recognised initially at cost at the date they are entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The resulting gain or loss is recognised in the statement of financial performance immediately unless the derivative is designated effective as a hedging instrument, in which event the timing of the recognition in the statement of financial performance depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions. The fair value of derivative financial instruments is classified as a non-current asset or a non-current liability if the remaining maturity of the derivative instrument is more than 12 months and as a current asset or current liability if the remaining maturity of the derivative is less than 12 months.

Counterparties to treasury derivative financial instruments are major financial institutions. The Group does not request security to support derivative financial instruments entered into.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(j) Derivative financial instruments continued

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of financial performance as part of other expenses or other income. Amounts deferred in equity are recognised in the statement of financial performance in the periods when the hedged item is recognised in the statement of financial performance. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of financial performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of financial performance.

(k) Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of financial performance immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss for receivables or items of property, plant and equipment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(l) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in NZIAS 27: Consolidated and separate Financial Statements.

Details of the Company's investment in a subsidiary appear in note 13. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after re-measurement, the fair values of the identifiable net assets acquired exceeds the costs of acquisition, the deficiency is recognised in the statement of financial performance in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(n) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest rate method except to the extent that they are capitalised. Borrowing costs that are directly attributable to material construction projects of a qualifying asset are capitalised as part of the cost of the assets.

(o) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of Goods and Services Tax ("GST"). Revenue comprises the fair value of consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities.

Airport related revenues

Airport revenue is recognised as services are provided to the airlines and passengers.

Rental revenue

Rental income is recognised in the statement of financial performance on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the leases.

Retail and trading activities

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.

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

Non-refundable deposits are received to confirm bookings and are recognised as revenue when the services are provided. All advertising income is recognised as revenue over the period services are provided.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

(p) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of financial performance over the period of the borrowing using the effective interest rate.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts that are repayable on demand and form an integral part of the groups cash management. Bank overdrafts are shown in bank debt in current liabilities in the financial position.

(r) Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(s) Intangible Assets

Leasehold intangible assets acquired by the Company are stated at the lower of cost or fair value, less accumulated amortisation and any impairment losses. Fair value is calculated with reference to the future estimated present values of cash flows arising from those leases.

Amortisation is charged to the statement of financial performance over the period relating to the remaining lease tenures in proportion to the expiry profile of the leases, of between 1 and 20 years. Impairment testing is required whenever there is an indication of impairment.

(t) Financial guarantees

Where the Company or a Group entity enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are treated as insurance arrangements, and accounted for as such. In this respect, the guarantee is treated as a contingent liability until such time as it becomes probable that the Group entity will be required to make a payment under the guarantee.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(u) Comparatives

Comparative figures have been restated where appropriate to ensure consistency with the current period.

(v) Bond issue expenses

Fees and other costs incurred in raising debt finance are capitalised and amortised over the term of the relevant debt instrument or debt facility.

(w) Share capital

Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction from equity.

(x) Segmental reporting

The Company has considered the requirements for segmental reporting as set out in NZ IAS 14: Segment Reporting. The Company has determined two segments exist for the airport and airport related operations and for the advertising operations. Since iSite Limited is its only subsidiary and is wholly owned, the segmental information is shown as the difference between the Group and parent company financial statements. For geographical purposes, both segments operate in New Zealand.

(y) New standards and interpretations not yet adopted

The Company has elected not to early adopt the following standards which have been issued but are not yet effective:

- NZ IAS 1 (Amendment) Presentation of Financial Statements - effective from 1 January 2009. The amendment requires a number of changes to the presentation and disclosures in financial statements;
- NZ IAS 23 (Amendment) Borrowing Costs - effective from 1 January 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs will be removed;
- NZ IFRS 2 (Amendment) Share Based Payments - effective 1 January 2009. The amendment sets out the treatment of non-vesting conditions. It also clarifies the accounting treatment on cancellation for both equity and cash settled schemes;
- NZ IFRS 3 (Revised) Business Combinations - effective from 1 July 2009. The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be accounted for through the income statement; and
- NZ IFRS 8 Operating Segments - effective from 1 January 2009. NZ IFRS 8 replaces NZ IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting.

(z) Changes in accounting policies

There have been no changes in accounting policies during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(2) Nature of business

The Company operates in Wellington providing integrated airport facilities and services to various airlines and other airport users. A commercial retail park on the airport site is available to the public. The Company is a limited liability company incorporated and domiciled in New Zealand.

The Company's wholly owned subsidiary, iSite Limited, operates throughout New Zealand providing out of home advertising products to the media industry. Out of home products predominately comprise of billboards, light boxes and mobile advertising mediums.

(3) Discontinued Operations

There were no discontinued operations in either the current or the comparative years.

(4) Operating Expenses

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Fees Paid to Group Auditors:				
Audit fees	96	94	81	79
Taxation	38	36	22	25
Bad debts written off	9	0	9	0
Directors' fees	230	254	230	254
Repairs and maintenance	2,210	2,225	2,210	2,225
Trading operations	8,686	8,141	0	0
Subvention payment	23,287	18,679	23,287	18,678
Administration and other	11,624	10,668	10,817	9,827
Total operating expenses	46,180	40,097	36,656	31,088

(5) Net finance expense

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Interest income on bank deposits	1,116	292	1,116	292
	1,116	292	1,116	292
Interest expense on bank debt	(8,030)	(9,972)	(7,350)	(9,176)
Interest expense on bonds	(14,090)	(8,960)	(14,090)	(8,960)
Interest expense capitalised	898	2,023	898	2,023
Finance expense	(21,222)	(16,909)	(20,542)	(16,113)
Net finance expense	(20,106)	(16,617)	(19,426)	(15,821)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(6) Taxation

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Profit/(loss) before taxation	7,456	11,794	8,742	12,770
Taxation for the year at 30% (2008: 33%)	2,237	3,892	2,623	4,214
Subvention payment made in respect to prior period	6,985	6,164	6,985	6,164
Plus/ (less) taxation effect of adjustments	1,272	1,802	936	1,254
Prior period adjustment	(357)		(357)	
Reduction in tax rate from 33% to 30%	0	(2,892)	0	(2,892)
Loss offset	(1,892)	(1,390)	(1,694)	(1,390)
Under/(over) provision in prior years	(7,792)	(6,430)	(7,777)	(6,223)
Taxation expense/(credit)	453	1,146	716	1,127
Current taxation	(192)	1,865	(194)	1,846
Deferred taxation	645	(719)	910	(719)
	453	1,146	716	1,127

The company tax rate reduced from 33% to 30% effective for years beginning on or after 1 April 2008.

Deferred Tax

Deferred tax assets and liabilities are offset on the face of the financial position where they relate to entities within a consolidated income tax group.

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the year	49,912	53,494	49,912	53,494
Charge for the year				
Deferred tax on property, plant and equipment	645	2,173	910	2,173
Effect of change in tax rate on deferred tax	0	(2,892)	0	(2,892)
Deferred tax recognised directly in equity	14,026	(2,863)	14,026	(2,863)
Balance at the end of the year	64,583	49,912	64,848	49,912

Recognised deferred tax assets and liabilities

Consolidated	2009			2008		
	Assets \$000	Liabilities \$000	Net \$000	Assets \$000	Liabilities \$000	Net \$000
Property, plant and equipment		(67,390)	(67,390)		(49,395)	(49,395)
Investment properties		(302)	(302)		(544)	(544)
Derivatives	2,864		2,864	29		29
Employee benefits accrued	114		114	131	0	131
Financial assets at fair value through profit or loss		(134)	(134)		(133)	(133)
Other items	265		265			0
Net tax assets/(liabilities)	3,243	(67,826)	(64,583)	160	(50,072)	(49,912)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(6) Taxation continued

Parent	2009			2008		
	Assets \$000	Liabilities \$000	Net \$000	Assets \$000	Liabilities \$000	Net \$000
Property, plant and equipment		(67,390)	(67,390)		(49,395)	(49,395)
Investment properties		(302)	(302)		(544)	(544)
Derivatives	2,864		2,864	29		29
Employee benefits accrued	114		114	131	0	131
Financial assets at fair value through profit or loss		(134)	(134)		(133)	(133)
Net tax assets/(liabilities)	2,978	(67,826)	(64,848)	160	(50,072)	(49,912)

Movement in temporary differences during the year

Consolidated	Balance 1/4/07 \$000	Recognised in		Balance 31/3/08 \$000	Recognised in		Balance 31/3/09 \$000
		Earnings \$000	Equity \$000		Earnings \$000	Equity \$000	
<u>Assets:</u>							
Property, plant and equipment	(53,332)	1,299	2,638	(49,395)	1,192	(19,187)	(67,390)
Investment property	(9)	(535)		(544)	242		(302)
Other items	0			0	265		265
Lease Incentives	(119)	(14)		(133)	(1)		(134)
<u>Liabilities:</u>							
Employee benefits accrued	162	(31)		131	(17)		114
Derivatives	(196)		225	29	(2,326)	5,161	2,864
	(53,494)	719	2,863	(49,912)	(645)	(14,026)	(64,583)

Parent	Balance 1/4/07 \$000	Recognised in		Balance 31/3/08 \$000	Recognised in		Balance 31/3/09 \$000
		Earnings \$000	Equity \$000		Earnings \$000	Equity \$000	
<u>Assets:</u>							
Property, plant and equipment	(53,332)	1,299	2,638	(49,395)	1,192	(19,187)	(67,390)
Investment property	(9)	(535)		(544)	242		(302)
Lease Incentives	(119)	(14)		(133)	(1)		(134)
<u>Liabilities:</u>							
Employee benefits accrued	162	(31)		131	(17)		114
Derivatives	(196)		225	29	(2,326)	5,161	2,864
	(53,494)	719	2,863	(49,912)	(910)	(14,026)	(64,848)

Imputation credit account

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the year	601	804	597	597
Income tax paid	0	0	0	0
Tax refunds received	0	(203)	0	0
Balance at the end of the year	601	601	597	597

	Consolidated	
	2009 \$000	2008 \$000
At balance date the imputation credits available to the shareholders of the parent company were:		

Through direct shareholding in the parent company	597	597
Through indirect interests in subsidiaries	4	4
	601	601

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(7) Shares on issue

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Ordinary shares				
Total issued capital at the end of the year				
40,155,942 ordinary shares	9,050	9,050	9,050	9,050

All ordinary shares have equal voting rights and share equally in dividends and equity. All shares have a nil par value.

(8) Intangible assets

	Consolidated	
	2009	2008
	\$000	\$000
Goodwill		
Balance at beginning of the year	8,198	8,198
Impairment charge	(819)	0
Balance at the end of the year	<u>7,379</u>	<u>8,198</u>
Other intangible assets – lease agreements		
Balance at beginning of the year	6,136	7,339
Additions arising during the year	114	390
Amortisation	(1,241)	(1,593)
Balance at the end of the year	<u>5,009</u>	<u>6,136</u>
Total intangible assets	<u>12,388</u>	<u>14,334</u>

The total value of the accumulated amortisation of the intangible assets was \$4.6 million as at 31 March 2009 (2008: \$3.3 million)

Amortisation and impairment charge

The goodwill impairment charge and intangible assets amortisation is as follows:

	2009	2008
	\$000	\$000
Goodwill impairment charge	819	0
Amortisation of intangibles	1,241	1,593
	<u>2,060</u>	<u>1,593</u>

For the purposes of impairment testing goodwill is allocated to the following cash generating units which represent the lowest level at which goodwill is monitored for internal management purposes.

	2009	2008
	\$000	\$000
iSite Limited	<u>7,379</u>	<u>8,198</u>

The impairment test for goodwill assesses the estimated recoverable amount of iSite Limited and compares this to the carrying value. The recoverable amount is assessed by:

- Determining a market value based on the price earnings ratio that was applied on the acquisition of iSite Limited.
- Determining a value in use by discounting the future cash flows of iSite. The future cash flows determined from a base case established for the year ended 31 March 2009 with incremental annual growth in costs and revenues thereafter. Pre-tax discount rate of 17.1% was used to discount the future cash flows.
- Cash flows were projected based on actual operating results and the 5-year business plan.
- The anticipated annual revenue growth included in the cash flow projections was 5% for the years 2010 to 2014.
- The anticipated cost growth included in the cash flow projections was 2.5% for the years 2010 to 2014.

Impairment of goodwill is considered annually. During the year ended 31 March 2009, the company reassessed the recoverable amount of iSite Limited which resulted in a goodwill impairment charge of \$0.8 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(9) Cash and cash equivalents

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Bank balances	1,459	1,933	643	641
Call deposits	64,011	1,800	64,011	1,800
Total	65,470	3,733	64,654	2,441

(10) Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see Note 14: Financial instruments.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Current liabilities				
Bank credit facility	8,274	8,974	0	0
Committed cash advance	30,000	0	30,000	0
	38,274	8,974	30,000	0
Non-current liabilities				
Commercial paper	0	37,000	0	37,000
Unsecured standby funding facility	0	27,000	0	27,000
Long term retail bonds	100,000	0	100,000	0
Long term wholesale bonds	150,000	150,000	150,000	150,000
	250,000	214,000	250,000	214,000

Terms and debt repayment schedule

The terms and conditions of loans and borrowings were as follows:

	Currency	Nominal interest rate	Year of maturity	Consolidated			
				2009	2009	2008	2008
				Face Value	Carrying amount	Face Value	Carrying amount
				\$000	\$000	\$000	\$000
Bank credit facility	NZD	3.70%	2009	8,274	8,274	8,974	8,974
Committed cash advance	NZD	3.95%	2009	30,000	30,000	0	0
Commercial paper	NZD			0	0	37,000	37,000
Unsecured standby funding facility	NZD			0	0	27,000	27,000
Long term retail bonds	NZD	7.50%	2013	100,000	100,000	0	0
Long term wholesale bonds	NZD	4.47%	2017	150,000	150,000	150,000	150,000
Total interest-bearing loans and borrowings				288,274	288,274	222,974	222,974

During the year, \$100m of long term retail bonds were issued. The maturity date of these bonds is November 2013. Debt funding, other than long term bonds, is supported by bank standby facilities expiring in June 2011.

In relation to the \$100m retail bonds, \$1.5m fees (including brokerage fees, management fees, legal fees, professional fees and administration fees) have been capitalised. These fees are amortised to the statement of financial performance over 5 years to the date of maturity of the bonds.

	Currency	Nominal interest rate	Year of maturity	Parent			
				2009	2009	2008	2008
				Face Value	Carrying amount	Face Value	Carrying amount
				\$000	\$000	\$000	\$000
Committed cash advance	NZD	3.95%	2009	30,000	30,000	0	0
Commercial paper	NZD			0	0	37,000	37,000
Unsecured standby funding facility	NZD			0	0	27,000	27,000
Long term retail bonds	NZD	7.50%	2013	100,000	100,000	0	0
Long term wholesale bonds	NZD	4.47%	2017	150,000	150,000	150,000	150,000
Total interest-bearing loans and borrowings				280,000	280,000	214,000	214,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(10) Interest-bearing loans and borrowings continued

The Group's and Company's financing facilities were as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Financing Facilities				
Unsecured bank debt facilities	190,274	158,974	182,000	150,000
Facilities utilised at reporting date	38,274	72,974	30,000	64,000
Facilities not utilised at reporting date	152,000	86,000	152,000	86,000
Long term wholesale bonds	150,000	150,000	150,000	150,000
Long term retail bonds	100,000	0	100,000	0

Financing arrangements - Standby Facilities

At year end the Group had unsecured bank debt facilities of \$190 million (2008: \$159 million) which are able to be drawn-down as required. Interest rates were determined by reference to prevailing money market rates at the time of draw down plus a margin. Interest rates paid during the period ranged from 6.23% to 9.37% (2008: 6.90% to 8.02%).

Financing arrangements - Long Term Bonds

- Retail bonds maturing in November 2013, 7.50% p.a.
- Wholesale bonds maturing in August 2017, 3.71% p.a. for period to 1 May 2009, then repriced quarterly at BKBM plus 25bps.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(11) Property, plant and equipment

Consolidated	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Balance at 1 April 2008	200,569	103,217	214,565	22,946	12,241	553,538
Additions	234	521	455	821	19,740	21,771
Transfer to investment properties	0	(721)	(2,450)	(1)	58	(3,114)
Transfer from capital work in progress	0	13,718	204	3,671	(17,593)	0
Disposals	0	(41)	(24)	(762)	0	(827)
Movements in asset revaluation	3,054	7,251	32,279	659	0	43,243
Balance at 31 March 2009	<u>203,857</u>	<u>123,945</u>	<u>245,029</u>	<u>27,334</u>	<u>14,446</u>	<u>614,611</u>
Accumulated depreciation and impairment losses						
Balance at 1 April 2008	0	6,698	11,434	9,911	0	28,043
Depreciation for the year	0	3,876	6,152	2,843	0	12,871
Disposals	0	(2)	(3)	(643)	0	(648)
Movements in asset revaluation	0	(10,572)	(17,583)	0	0	(28,155)
Balance at 31 March 2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,111</u>	<u>0</u>	<u>12,111</u>
Carrying value at 31 March 2009	<u>203,857</u>	<u>123,945</u>	<u>245,029</u>	<u>15,223</u>	<u>14,446</u>	<u>602,500</u>

Consolidated	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Balance at 1 April 2007	204,899	88,428	204,089	18,594	13,978	529,988
Additions	0	960	2,593	1,360	24,245	29,158
Transfer to investment properties	(4,261)	0	0	3	(1,207)	(5,465)
Transfer from capital work in progress	(69)	13,829	7,905	3,110	(24,775)	0
Disposals	0	0	(22)	(121)	0	(143)
Balance at 31 March 2008	<u>200,569</u>	<u>103,217</u>	<u>214,565</u>	<u>22,946</u>	<u>12,241</u>	<u>553,538</u>
Accumulated depreciation and impairment losses						
Balance at 1 April 2007	0	3,031	5,337	7,692	0	16,060
Depreciation for the year	0	3,667	6,097	2,218	0	11,982
Disposals	0	0	0	1	0	1
Balance at 31 March 2008	<u>0</u>	<u>6,698</u>	<u>11,434</u>	<u>9,911</u>	<u>0</u>	<u>28,043</u>
Carrying value at 31 March 2008	<u>200,569</u>	<u>96,519</u>	<u>203,131</u>	<u>13,035</u>	<u>12,241</u>	<u>525,495</u>

Consolidated	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Revalued assets at deemed cost						
Cost	82,930	94,744	191,421	27,175	12,239	408,509
Increase/(decrease) in assets under construction during the year	0	0	0	0	2,207	2,207
Less Accumulated Depreciation	0	20,416	31,889	12,155	0	64,460
Net Book Value 31 March 2009	<u>82,930</u>	<u>74,328</u>	<u>159,532</u>	<u>15,020</u>	<u>14,446</u>	<u>346,256</u>
Revalued assets at deemed cost						
Cost	68,870	87,330	184,119	22,819	13,978	377,116
Increase / (decrease) in assets under construction during the year	0	0	0	0	(1,737)	(1,737)
Less Accumulated Depreciation	0	15,847	27,066	9,791	0	52,704
Net Book Value 31 March 2008	<u>68,870</u>	<u>71,483</u>	<u>157,053</u>	<u>13,028</u>	<u>12,241</u>	<u>322,675</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(11) Property, plant and equipment continued

Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Balance at 1 April 2008	200,569	103,217	214,565	19,421	12,241	550,013
Additions	234	521	455	643	19,740	21,593
Transfer to investment properties	0	(721)	(2,450)	(1)	58	(3,114)
Transfer from capital work in progress	0	13,718	204	3,671	(17,593)	0
Disposals	0	(41)	(24)	(535)	0	(600)
Movements in asset revaluation	3,054	7,251	32,279	659	0	43,243
Balance at 31 March 2009	<u>203,857</u>	<u>123,945</u>	<u>245,029</u>	<u>23,858</u>	<u>14,446</u>	<u>611,135</u>
Accumulated depreciation and impairment losses						
Balance at 1 April 2008	0	6,698	11,433	7,829	0	25,960
Depreciation for the year	0	3,876	6,152	2,376	0	12,404
Disposals	0	(2)	(2)	(316)	0	(320)
Movements in asset revaluation	0	(10,572)	(17,583)	0	0	(28,155)
Balance at 31 March 2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,889</u>	<u>0</u>	<u>9,889</u>
Carrying value at 31 March 2009	<u>203,857</u>	<u>123,945</u>	<u>245,029</u>	<u>13,969</u>	<u>14,446</u>	<u>601,246</u>

Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Balance at 1 April 2007	204,899	88,428	204,089	15,647	13,978	527,041
Additions	0	960	2,593	822	24,245	28,620
Transfer to investment properties	(4,261)	0	0	3	(1,207)	(5,465)
Transfer from capital work in progress	(69)	13,829	7,905	2,982	(24,775)	(128)
Disposals	0	0	(22)	(33)	0	(55)
Balance at 31 March 2008	<u>200,569</u>	<u>103,217</u>	<u>214,565</u>	<u>19,421</u>	<u>12,241</u>	<u>550,013</u>
Accumulated depreciation and impairment losses						
Balance at 1 April 2007	0	3,031	5,337	6,098	0	14,466
Depreciation for the year	0	3,667	6,096	1,731	0	11,494
Disposals	0	0	0	0	0	0
Balance at 31 March 2008	<u>0</u>	<u>6,698</u>	<u>11,433</u>	<u>7,829</u>	<u>0</u>	<u>25,960</u>
Carrying value at 31 March 2008	<u>200,569</u>	<u>96,519</u>	<u>203,132</u>	<u>11,592</u>	<u>12,241</u>	<u>524,053</u>

Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Revalued assets at deemed cost						
Cost	82,930	94,744	191,421	23,701	12,239	405,035
Increase/(decrease) in assets under construction during the year	0	0	0	0	2,207	2,207
Less Accumulated Depreciation	0	20,416	31,889	9,936	0	62,241
Net Book Value 31 March 2009	<u>82,930</u>	<u>74,328</u>	<u>159,532</u>	<u>13,765</u>	<u>14,446</u>	<u>345,001</u>
Revalued assets at deemed cost						
Cost	68,870	87,330	184,119	19,424	13,978	373,721
Increase/(decrease) in assets under construction during the year	0	0	0	0	(1,737)	(1,737)
Less Accumulated Depreciation	0	15,847	27,066	7,837	0	50,750
Net Book Value 31 March 2008	<u>68,870</u>	<u>71,483</u>	<u>157,053</u>	<u>11,587</u>	<u>12,241</u>	<u>321,234</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(11) Property, plant and equipment continued

All land, buildings and civil works assets were revalued at 31 March 2009 in accordance with the New Zealand Institute of Valuers asset valuation standards. The valuation was undertaken by independent registered valuers, Telfer Young Limited for land and buildings (fair value \$462.4 million), and Opus International Consultants Limited for civil works (fair value \$120.4 million).

Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where the assets are of a specialised nature and do not have observable market values in their existing use, depreciated replacement cost is used as the basis of the valuation, as required by the NZIAS 16. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

(12) Investment properties

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at 1 April	62,809	53,191	62,809	53,191
Additions	0	3,511	0	3,511
Transfer from property, plant and equipment	3,114	5,465	3,114	5,465
Investment properties revaluation	(6,369)	642	(6,369)	642
Balance at 31 March	<u>59,554</u>	<u>62,809</u>	<u>59,554</u>	<u>62,809</u>

Investment properties were valued at 31 March 2009 by Telfer Young Limited, an independent registered valuer. Fair value of the investment properties valued was \$59.5 million (2008: \$63.3 million inclusive of the final retail outlet completed in April 2008). Movements in the valuation of investment properties are taken to the statement of financial performance.

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Amounts recognised in the statement of financial performance for:				
(a) Rental income from Investment properties	4,368	3,694	4,368	3,694
(b) Direct operating expenses arising from Investment properties that generate income	(609)	(639)	(609)	(639)
	<u>3,759</u>	<u>3,055</u>	<u>3,759</u>	<u>3,055</u>

(13) Investment in a subsidiary

Shares are held in the following company.

	Balance Date	2009 and 2008 Holding	Principle activity
Investment activities			
iSite Limited	31 March	100%	Advertising

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(14) Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit, Finance and Risk Committee also has a function of reviewing management practices in relation to identification and management of significant business risk areas and regulatory compliance. Management and Board actively participate in the identification, assessment and monitoring of new and existing risks. Particular attention is given to strategic risks that could affect the Group.

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business arising from trade receivables and transactions with financial institutions. The Group has adopted a policy of only dealing with credit-worthy counterparties. The Group minimises its exposure to credit risk of trade receivables through the adoption of standard payment terms. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and other organisations in the relevant industry. The Group's exposure and the credit ratings of counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties. The carrying amounts of financial assets recognised in the statement of financial performance best represent the Group's maximum exposure to credit risk at the reporting date. No security is held on these amounts.

The Group has varied risk exposure to many counterparties with differing characteristics. The parent has a limited range of customers for aeronautical services at Wellington Airport. Credit risk is therefore concentrated in a small number of accounts. At year end 82% (2008: 84%) of trade receivables was due from ten customers. The Group manages prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities.

Liquidity risk is monitored by continuously forecasting actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk: the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is primarily exposed to interest rate risk as a result of issuing borrowings at floating interest rates. The Group has entered into New Zealand Dollar interest rate swaps to convert floating rate exposure into fixed rate exposure and reduce the exposure to interest rate fluctuations. The Group has elected to apply cash flow hedge accounting to certain instruments.

(a) Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances and receivables. The Group actively manages and monitors its accounts receivables on an ongoing basis. Maximum exposures to credit risk as at balance date are:

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Trade receivables	8,499	9,762	7,357	8,364
Intercompany receivables	0	0	186	115
Prepayment and sundry receivables	3,865	2,843	3,711	2,713
Fair value of derivatives	1,244	0	1,244	0
Trade and other receivables	13,608	12,605	12,498	11,192

No security is held on the above amounts. The Group is not exposed to any other concentrations of credit risk.

The ageing of trade receivables at the reporting date was:

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current	8,011	7,736	7,057	6,686
Overdue 0-30 days	229	1,014	79	722
Overdue 31-365 days	259	1,012	221	956
More than 1 year	0	0	0	0
	8,499	9,762	7,357	8,364

There was no movement in the allowance for impairment losses in respect of trade receivables during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(14) Financial instruments continued

(b) Interest rate risk

The Group is exposed to interest rate fluctuations on its bank debt. The Group uses interest rate swaps to manage interest rate risk. At balance date the interest rate contracts outstanding were:

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Interest rate swaps notional value	150,000	190,000	150,000	190,000
Fair value of interest rate swaps	(9,537)	(96)	(9,537)	(96)
Termination dates				
Between 1 to 2 years	0	130,000	0	130,000
Between 2 to 5 years	150,000	60,000	150,000	60,000

(c) Sensitivity Analysis

At 31 March 2009, if bank interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post tax profit for the year would have been \$250,000 higher/lower (31 March 2008: \$37,000), less the impact of fixed rate swaps in place. There would have been no effect on other components of equity.

(d) Fair values

Financial instruments consist of cash and short term deposits, receivables, investments, advances to subsidiaries, accounts payable and derivatives. The fair value of interest rate swaps are detailed in Note 14(b). The fair value of all other financial instruments are represented by their carrying value.

Effective interest rates and repricing analysis

	Fixed or Variable	Average effective interest rate	6 months or less	6-12 months	Consolidated		
					1-2 years	2-5 years	More than 5 years
<i>As At 31 March 2009</i>							
Instruments							
Cash and cash equivalents	Variable	3.45%	65,470				
Unsecured bank facility	Variable	3.90%	(38,274)				
Long term wholesale bonds	Variable	3.71%					(150,000)
Effect of interest rate hedge	-	0.76%					(150,000)
Long term retail bonds	Fixed	7.50%				(100,000)	
<i>As At 31 March 2008</i>							
Instruments							
Cash and cash equivalents	Variable	4.24%	3,733				
Unsecured bank facility	Variable	9.00%	(72,974)				
Effect of interest rate swaps	-	-0.73%			(30,000)	(10,000)	
Long term wholesale bonds	Variable	8.70%					(150,000)
Effect of interest rate hedge	-	-0.41%			(100,000)	(50,000)	

Debt funding, other than long term bonds, is supported by bank standby facilities expiring in 2009 and 2011.

	Consolidated			
	2009		2008	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
Fair values				
Trade and other receivables excluding derivatives	12,364	12,364	12,605	12,605
Cash and cash equivalents	65,470	65,470	3,733	3,733
Interest rate swaps:				
Assets	1,244	1,244	0	0
Liabilities	(10,781)	(10,781)	(96)	(96)
Trade and other payables	(15,059)	(15,059)	(11,835)	(11,835)
Committed cash advance facility	(30,000)	(30,000)	0	0
Unsecured bank facilities	(8,274)	(8,274)	(72,974)	(72,974)
Unsecured wholesale bonds	(150,000)	(150,000)	(150,000)	(150,000)
Unsecured retail bonds	(100,000)	(98,316)	0	0

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(14) Financial instruments continued

Effective interest rates and repricing analysis

	Fixed or Variable	Average effective interest rate	6 months or less	6-12 months	Parent		
					1-2 years	2-5 years	More than 5 years
<i>As At 31 March 2009</i>							
Instruments							
Cash and cash equivalents	Variable	3.45%	64,654				
Unsecured bank facility	Variable	3.95%	(30,000)				
Long term wholesale bonds	Variable	3.71%					(150,000)
Effect of interest rate hedge	-	0.76%					(150,000)
Long term retail bonds	Fixed	7.50%				(100,000)	
<i>As At 31 March 2008</i>							
Instruments							
Cash and cash equivalents	Variable	7.93%	2,441				
Unsecured bank facility	Variable	9.00%	(64,000)				
Effect of interest rate swaps	-	-0.73%			(30,000)	(10,000)	
Long term wholesale bonds	Variable	8.70%					(150,000)
Effect of interest rate hedge	-	-0.41%			(100,000)	(50,000)	

	Parent			
	2009 Carrying amount \$000	Fair value \$000	2008 Carrying amount \$000	Fair value \$000
Fair values				
Trade and other receivables excluding derivatives	11,254	11,254	11,192	11,192
Cash and cash equivalents	64,654	64,654	2,441	2,441
Interest rate swaps:				
Assets	1,244	1,244	0	0
Liabilities	(10,781)	(10,781)	(96)	(96)
Trade and other payables	(14,046)	(14,046)	(10,697)	(10,697)
Committed cash advance facility	(30,000)	(30,000)	0	0
Unsecured bank facilities	0	0	(64,000)	(64,000)
Unsecured wholesale bonds	(150,000)	(150,000)	(150,000)	(150,000)
Unsecured retail bonds	(100,000)	(98,316)	0	0

(e) Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis.

Consolidated	Balance sheet	Contractual cash flows	6 months or less	2009			
				6-12 months	1-2 years	2-5 years	More than 5 years
Unsecured bank facility	38,274	38,274	38,274				
Long term wholesale bonds	150,000	194,520	2,782	2,783	5,565	16,695	166,695
Long term retail bonds	100,000	135,000	3,750	3,750	7,500	120,000	
Fair value of derivatives	10,781	10,781	2,364	2,365	4,729	1,323	
Trade and other payables	15,059	15,059	15,059				
Total liabilities	314,114	393,634	62,229	8,898	17,794	138,018	166,695
Consolidated							
2008							
Unsecured bank facility	72,974	72,974	72,974				
Long term wholesale bonds	150,000	200,084	2,782	2,783	5,565	16,695	172,260
Fair value of derivatives	96	96	26	25	44	1	
Trade and other payables	11,835	11,835	11,835				
Total liabilities	234,905	284,989	87,617	2,808	5,609	16,696	172,260

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(14) Financial instruments continued

Parent	Balance sheet	Contractual cash flows	6 months or less	2009 6-12 months	1-2 years	2-5 years	More than 5 years
Unsecured bank facility	30,000	30,000	30,000				
Long term wholesale bonds	150,000	194,520	2,782	2,783	5,565	16,695	166,695
Long term retail bonds	100,000	135,000	3,750	3,750	7,500	120,000	
Fair value of derivatives	10,781	10,781	2,364	2,365	4,729	1,323	
Trade and other payables	12,909	12,909	12,909				
Total liabilities	303,690	383,210	51,805	8,898	17,794	138,018	166,695

Parent	2008						
Unsecured bank facility	64,000	64,000	64,000				
Long term wholesale bonds	150,000	200,085	2,782	2,783	5,565	16,695	172,260
Fair value of derivatives	96	96	26	25	44	1	
Trade and other payables	12,000	12,000	12,000				
Total liabilities	226,096	276,181	78,808	2,808	5,609	16,696	172,260

(f) Cash flow hedges

As at 31 March 2009 and 31 March 2008, the Group had interest rate contracts outstanding with various maturities up to August 2012. The hedged interest rate transactions are expected to occur continuously throughout the periods to maturity. Hedge accounting ceased for certain interest rate contracts during the year. At the date of change, a cash flow hedge reserve of \$18.8m was held, which will be amortised to the statement of the financial performance over the original terms of the contracts maturing in 2011 and 2012. Other hedges entered into during the year have been marked to market and resulted in an unrealised gain of \$7.8m in the year ended 31 March 2009 (2008: \$nil).

(g) Capital Management

The Group's capital includes share capital, reserves and retained earnings.

The very factors in determining the Group's optimal capital structure are quality and dependability of earnings and cash flows, capital needs over the period and available sources of capital and relative cost. The Group is subject to certain compliance ratios relevant to the facility agreements or Trust Deed applicable to the borrowings. There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(15) Accrued employee benefits

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Salaries and wages	502	377	482	377
Annual leave	518	520	438	479
Accident compensation corporation	45	33	46	33
	1,065	930	966	889

(16) Reconciliation of net surplus with cash flow from operating activities

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Profit/(loss) after taxation	7,003	10,648	8,026	11,643
Add items not involving cash flows				
Investment property revaluation increase/(decrease)	6,369	(642)	6,369	(642)
PPE revaluation impairment	946	0	946	0
Change in value of financial instruments designated as fair value through statement of financial performance	(7,758)	0	(7,758)	0
Depreciation	12,871	11,982	12,404	11,494
(Gain)/loss on disposal	89	0	75	0
Goodwill impairment	819	0	0	0
Amortisation of intangibles	1,241	1,593	0	0
Movement in deferred tax	645	(719)	910	(719)
Interest capitalised	(898)	0	(898)	0
Movements in working capital				
(Increase)/decrease in trade receivables	1,263	(2,402)	936	(2,236)
(Increase)/decrease in sundry receivables	(1,022)	(505)	(998)	(519)
Increase in trade payables	994	1,198	1,100	371
Increase in accruals and other liabilities	2,550	1,609	2,973	2,235
(Increase)/decrease in taxation refundable	(192)	2,917	(194)	2,691
Net cash inflow from operating activities	24,920	25,679	23,891	24,318

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(17) Related parties

Parent

The Parent Company has made an advance of \$1.5m (2008: \$2.3m) to iSite Limited. The advance is repayable on demand. Interest is not levied on the outstanding balance of the advance.

Subsidiary

During the year iSite Limited made a contractual payment for the rights to sell advertising space at sites owned by the Company. The commencement of the contract predates the Company's equity holding in iSite Limited and as such was negotiated on an arms-length basis. The total payable during the year under the contract was \$1.9 million (2008: \$1.7 million). The balance due to the Company at 31 March 2009 was \$186,000 (2008: \$115,000).

Directors

The Group paid Denis Thom fees totaling \$1,392 for consultation fees in conjunction with the project control group for the year ending 31 March 2009 (2008: \$4,563).

Other Related Parties

WIAL is 66% owned by NZ Airports Limited which, is wholly owned by Infratil Limited. Wellington City Council owns the remaining 34% of the Company.

During the year the Group made a subvention payment to Infratil Limited of \$23.3 million relating to the tax year ended 31 March 2009 (2008: \$18.7 million).

The Group transacts with the Wellington City Council in the normal course of business on an arms-length basis. During the year the Group made a dividend payment to the Wellington City Council of \$7.2 million (2008: \$5.6 million) i.e. 0.53 cents per share (2008: 0.41 cents per share).

The Group paid New Zealand Airports Limited fees totaling \$250,000 for consultancy services for the year ending 31 March 2009 (2008: \$42,000).

The Group paid HRL Morrison & Co, which is the manager of Infratil Limited, fees totaling \$7,000 for property advisory services for the year ending 31 March 2009 (2008: \$Nil).

There were no material related party transactions during the year other than those already disclosed in the notes to these financial statements.

(18) Financial commitments

(a) Fixed assets

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Contracted but not provided for	34,960	11,760	34,960	11,760
	<u>34,960</u>	<u>11,760</u>	<u>34,960</u>	<u>11,760</u>

The fixed assets contracted but not provided for include the investment in its building and services, including development of the new international passenger terminal and repaving its runway.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(18) Financial commitments continued

(b) Leases

The Group has commitments under operating leases relating to the lease of premises and hire of plant and equipment. These commitments expire as follows:

Operating Lease as a lessor

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Between 0 to 1 year	11,459	8,037	11,459	8,037
Between 1 to 2 years	9,941	6,650	9,941	6,650
Between 2 to 5 years	21,205	12,841	21,205	12,841
More than 5 years	15,712	13,603	15,712	13,603
	58,317	41,131	58,317	41,131

Operating Lease as a lessee

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Between 0 to 1 year	1,774	2,594	16	18
Between 1 to 2 years	1,567	3,714	6	16
Between 2 to 5 years	4,015	4,263	0	6
More than 5 years	7,406	7,273	0	0
	14,762	17,844	22	40

Site Limited leases a large number of billboard and light-box sites under operating leases. The leases run for periods ranging from 1-20 years. Some leases provide for additional rent payments that are based on site revenue. During the year \$4.7 million (2008: \$4.7m) was recognised as an expense in the statement of financial performance in respect of operating leases.

(19) Contingent liabilities

In 2007, Air New Zealand issued judicial review proceedings against the Company in relation to the setting of aeronautical airport charges. The company refutes Air New Zealand's claim and is vigorously defending the proceedings. The directors consider that the aeronautical pricing consultation process conducted by the company and its outcomes will be upheld in the proceedings.

There were no other contingent liabilities outstanding at 31 March 2009 (2008: Nil)

(20) Key management personnel disclosures

Key management personnel and director remuneration for the years ended 2009 and 2008 is set out below. The key management personnel include the directors of the Company, Chief Executive and those personnel reporting directly to the Chief Executive.

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Short-term employee benefits	1,534	1,981	1,100	1,647

The directors' fees of \$230,000 (2008: \$254,000) disclosed in note 4 for operating expenses are also included here as they form part of the remuneration to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

(21) Changes in Equity

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Share Capital Reserve				
Balance at the beginning of the year	9,050	9,050	9,050	9,050
Balance at the end of the year	<u>9,050</u>	<u>9,050</u>	<u>9,050</u>	<u>9,050</u>
Retained Earnings Reserve				
Balance at the beginning of the year	144,443	139,438	148,709	142,709
Profit/(loss) after taxation	7,003	10,648	8,026	11,643
	<u>151,446</u>	<u>150,086</u>	<u>156,735</u>	<u>154,352</u>
Dividends paid	(7,185)	(5,643)	(7,185)	(5,643)
Balance at the end of the year	<u>144,261</u>	<u>144,443</u>	<u>149,550</u>	<u>148,709</u>
Revaluation Reserve				
Balance at the beginning of the year	171,049	168,411	171,049	168,411
Revaluation movement during the year	72,264		72,264	
Movement in deferred tax	(19,187)	2,638	(19,187)	2,638
Balance at the end of the year	<u>224,126</u>	<u>171,049</u>	<u>224,126</u>	<u>171,049</u>
Cashflow Hedge Reserve				
Balance at the beginning of the year	(67)	399	(67)	399
Revaluation movement during the year	(17,201)	(691)	(17,201)	(691)
Movement in deferred tax	5,161	225	5,161	225
	<u>(12,107)</u>	<u>(67)</u>	<u>(12,107)</u>	<u>(67)</u>
Equity at the end of the year	<u>365,330</u>	<u>324,475</u>	<u>370,619</u>	<u>328,741</u>

Nature and purpose of revaluation reserve and hedging reserve

Revaluation reserve:

The revaluation reserve has been updated for Property, Plant and Equipment assets. The increase in the Property, Plant and Equipment reserve of \$53.1 million during the year represented adjustments arising from a revaluation of assets at 31 March 2009 and a movement in deferred taxation. The total revaluation reserve at 31 March 2009 was \$224.1 million.

Hedging reserve:

The Company uses derivatives to manage its interest rate risks. Under NZIFRS, the fair value of the derivatives are recognised in the financial position at fair value. Fair value changes are recognised through reserves to the extent that hedge accounting is adopted otherwise fair value changes are recognised directly in statement of financial performance.

The effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(22) Events After Balance Date

Following completion of its \$100m retail bond issue, the Group has reduced its banking facilities. This was completed subsequent to year end, whereby the Group now has unsecured debt facilities in place of \$85m compared to \$190m as at 31 March 2009. The facilities in place have a maturity date of 30 June 2011.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2009

Directors' interests

The directors have given the following notices of disclosure of interest which have been entered into the Company's register of interests.

Director	Name of party in which director has an interest	Nature of interest
David Newman	Infratil Limited	Chairman
	Loyalty New Zealand Limited	Chairman
	Austral Pacific Energy Ltd	Director
	Infratil Airports Europe Limited	Director
	NZ Airports Limited	Director
	Infratil UK Limited	Director
	Infratil Europe Limited	Director
	Infratil Finance Limited	Director
	Infratil Investments Limited	Director
	Infratil 1998 Limited	Director
	Infratil Securities Limited	Director
	Infratil Ventures Limited	Director
	Infratil Australia Limited	Director
	Infratil Gas Limited	Director
	Infratil Energy Limited	Director
	Infratil No 1 Limited	Director
	Infratil No 5 Limited	Director
	Infratil No 4 Limited	Director
	Infratil Insurance Co Limited	Director
	Infratil Trustee Company Limited	Director
	Glasgow Prestwick Airport Limited	Director
	Prestwick Airport Limited	Director
	Infratil Kent Airport Limited	Director
Infratil Kent Facilities Limited	Director	
Austral Pacific NZ No. 4 Limited	Director	
Swift Transport Limited	Director	
	Guardians of New Zealand Superannuation	Board Member
Denis Thom	Lumley General Insurance (NZ) Limited	Director
Timothy Brown	New Zealand Bus Limited	Director
	New Zealand Bus Company Finance Limited	Director
	North West Auckland Airport Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Steven Fitzgerald	Glasgow Prestwick Airport Limited	Director
	Prestwick Airport Limited	Director
	PIK MRO Limited	Director
	Prestwick Aviation Holdings Limited	Director
	Great Holidays Limited	Director
	Runway Realisations Limited	Director
	Infratil Kent Airport Limited	Director
	Infratil Kent Facilities Limited	Director
	Flughafen Lübeck GmbH	Director
	North West Auckland Airport Limited	Director
NZ Airports Limited	Executive	

Directors' interests (continued)

Kevin Baker	Infratil Energy New Zealand Limited	Director
	Renew Nominees Limited	Director
	Snapper Services Limited	Director
	Victoria Electricity Pty Limited	Director
	Infratil Energy Australia Pty Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Kerry Prendergast	Wellington City Council	Mayor
Keith Sutton	Taranaki Investment Management Limited	Chairman
	Animal Health Board Inc	Deputy Chairman
	Aotearoa Fisheries Limited	Director
	Gough, Gough & Hamer Limited	Director
	Nimmo-Bell & Company Limited	Director
	Sapphire Currency Fund Limited	Director
	Sutton McCarthy Limited	Director
	Wool Partners International Limited	Director
	Wool Industry Network Limited	Director
	Wool Grower Holdings Limited	Director
Sealord Group Limited	Alternate Director	

The directors of iSite Limited have given the following notices of disclosure of interest which have been entered into its register of interests.

Paul Ridley-Smith	Infratil Airports Europe Limited	Director
	Infratil Energy New Zealand Limited	Director
	Snapper Services Limited	Director
	iSite Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Michael Basher	iSite Limited	Director
	Kooba Limited	Director
Andrea Scotland	iSite Limited	Director
	Flat Earth Limited	Director
	Wellington International Airport Limited	Executive

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2009

Remuneration of directors

Fees paid and payable to directors during the period were as follows:

WIAL

David Newman	\$68,700
Denis Thom	\$44,000
Kerry Prendergast	\$37,500
Tim Brown	\$42,500
Paul Ridley-Smith (retired Aug-08)	\$14,688
Kevin Baker (appointed Aug-08)	\$22,813

iSite Limited

Michael Basher	\$10,000
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The directors received no other remuneration or benefits for services in that office or in any other capacity other than as disclosed in Notes 17 and 20.

Entries in the interest register

The information below is given pursuant to the New Zealand Exchange Listing Rules.

	Beneficial Interest	Non Beneficial Interest
Retail Bond Issue		
Kevin Baker	-	\$100,000
Tim Brown	\$200,000	-

All bonds were purchased during the year ended 31 March 2009.

Loans to directors

No loans have been made by the Group to a director nor has the Group guaranteed any debts incurred by a director.

Use of company information

There were no notices from directors requesting use of Group information received in their capacity as directors, which would not otherwise have been available to them.

Directors' indemnity insurance

As authorised by its constitution, the Group has arranged policies of directors' and officers' liability insurance with cover appropriate for WIAL's operations.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2009

Remuneration of employees

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees or former employees of the company, excluding directors of the company, who received remuneration and other benefits in their capacity as employees, totalling \$100,000 or more, during the year:

Amount of remuneration	Employees	
	2009	2008
\$100,000 to \$110,000	4	4
\$110,001 to \$120,000	7	3
\$120,001 to \$130,000	1	
\$130,001 to \$140,000	2	
\$140,001 to \$150,000	1	
\$150,001 to \$160,000		
\$160,001 to \$170,000		
\$170,001 to \$180,000		
\$180,001 to \$190,000		
\$190,001 to \$200,000		1
\$200,001 to \$210,000		1
\$210,001 to \$220,000	2	2
\$220,001 to \$230,000		
\$230,001 to \$240,000		
\$240,001 to \$250,000		
\$250,001 to \$260,000		
\$260,001 to \$270,000		1
\$270,001 to \$280,000	1	
\$280,001 to \$290,000		
\$290,001 to \$300,000	1	
\$340,001 to \$350,000		
\$350,001 to \$360,000		
\$400,001 to \$410,000		1

CORPORATE GOVERNANCE

Role of the Board

The Board of Directors of Wellington International Airport Limited is appointed by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework within which the business of the Company is conducted and confirms strategies for achieving these objectives, monitors management performance and ensures that procedures are in place to provide effective internal financial control.

Board Membership

The Board currently comprises five non-executive Directors including the Chairman and one executive director. Infratil, as the majority shareholder of Wellington International Airport Limited, appointed four of the current directors. The two remaining members have been appointed by Wellington City Council.

During the period under review, the Board met six times with a full agenda.

Directors' Shareholding

Under the constitution Directors are not required to hold shares in the Company.

Audit, Finance & Risk Committee

The Board has established an Audit, Finance & Risk Committee comprising of three Directors, Mr D Thom (Chairman), Mr T Brown and Mr D Newman with attendances by appropriate Wellington International Airport Limited representatives.

The main objectives of the Audit, Finance and Risk Committee are to:

- Assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the Group's governance processes including assessing the adequacy of the Groups:
 - o financial reporting;
 - o accounting policies;
 - o financial management;
 - o internal control system;
 - o risk management system;
 - o systems for protecting Group assets; and
 - o compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial and non-financial disclosures.
- Enhance the efficiency of the Board by allowing delegated issues to be discussed in sufficient depth and, where necessary, with appropriate independent advice.
- Review management's letters of representation to the auditors.
- Facilitate the continuing independence of the external auditor and enhancing the effectiveness of external audit.
- Provide a formal forum for enhancing communication between the Board, senior financial management and external audit, ensuring there has been no unjustified restrictions or limitations placed on the auditors.
- Reviewing management practices in relation to the identification and management of significant business risk areas and regulatory compliance. Formal systems have been introduced for regular reporting to the Board on business risk and compliance matters

During the period under review the Audit, Finance & Risk Committee met four times with a full agenda.

CORPORATE GOVERNANCE CONTINUED

Other Committees

The Board has established a Treasury Committee comprising of three Directors, Mr T Brown (Chairman), Mr D Thom and Mr D Newman with attendances by appropriate Wellington International Airport Limited representatives.

The duties of the Treasury Committee are allocated by the Board and include the following:

- to oversee the development of the strategy to implement treasury management policies
- to review and recommend to the Board any changes to the treasury management policies
- whenever necessary, to carry out the selection process for providers of funding and to recommend funding arrangement to the Board
- to liaise with external treasury advisors and providers of funding as appropriate

The Board has established a Remuneration Committee comprising of two Directors, Mr D Newman (Chairman) and Ms K Prendergast with attendances by appropriate Wellington International Airport Limited representatives. The duties of the Remuneration Committee is primarily to ensure that members of the executive team are fairly and equitably remunerated relative to comparable positions within the New Zealand market.

Internal Financial Control

The Board has overall responsibility for the Company's system of internal financial control. The Directors have established procedures and policies that are designed to provide effective internal financial control.

Annual budgets and long term strategic plans are agreed by the Board.

Financial statements are prepared regularly and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

Risk Management and Compliance

The Audit, Finance & Risk Committee also has a function of reviewing management practices in relation to the identification and management of significant business risk areas and regulatory compliance. Formal systems have been introduced for regular reporting to the Board on business risk and compliance matters.

Directors' and Officers' Insurance

The Company has arranged Directors' and Officers' liability insurance covering Directors acting on behalf of the Company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for the Company. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulations, or duty to the Company, improper use of information to the detriment of the Company or breach of professional duty.

Independent Professional Advice

With the approval of the Chairman, Directors are entitled to seek independent professional advice on any aspect of the Directors' duties, at the Company's expense.

Going Concern

After reviewing the current results and detailed forecasts, taking into account available credit facilities and making further enquiries as considered appropriate, the Directors are satisfied that the Company has adequate resources to enable it to continue in business for the foreseeable future. For this reason, the Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE CONTINUED

The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs.

Corporate Governance Best Practice Code

The Company supports the Corporate Governance Best Practice Code promulgated by the New Zealand Exchange. In a number of respects, the Company's practice differs from this Code. In particular, the Company has not established separate Director Nomination or a Code of Ethics. The Company considers that it is properly dealing with these issues at the full Board level.



Audit report

To the shareholders of Wellington International Airport Limited

We have audited the financial statements on pages 9 to 34. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 12 to 17.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.



Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 9 to 34:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 15 May 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in blue ink that reads 'KPMG' in a cursive, stylized font.

Wellington