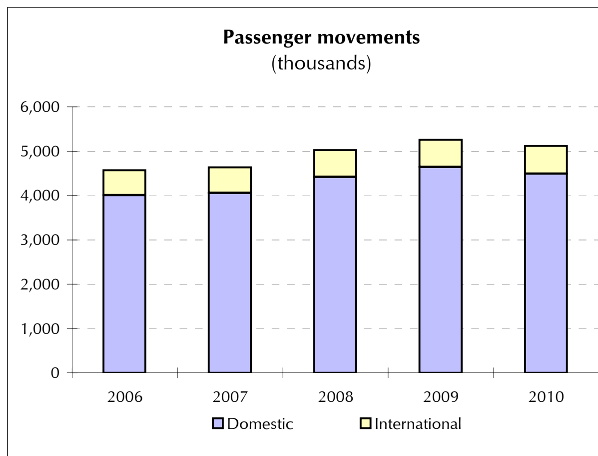
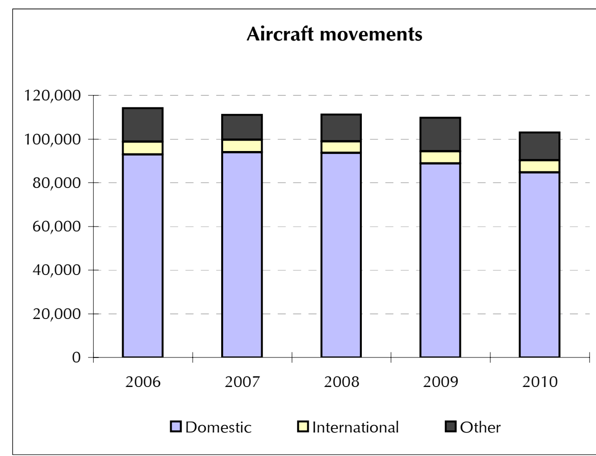
Wild at Heart™
Wellington Airport
FUELLED BY INFRATIL

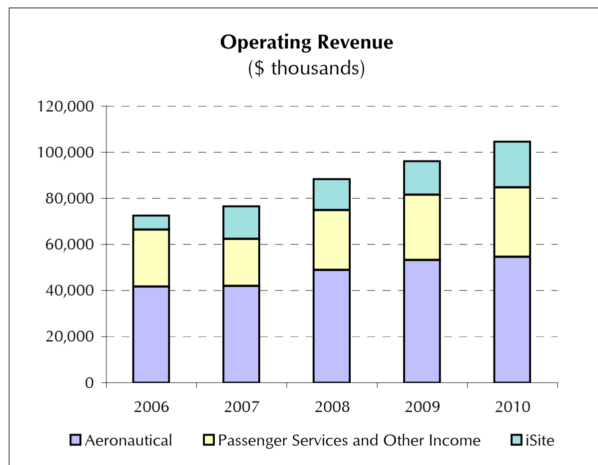
# Annual Report

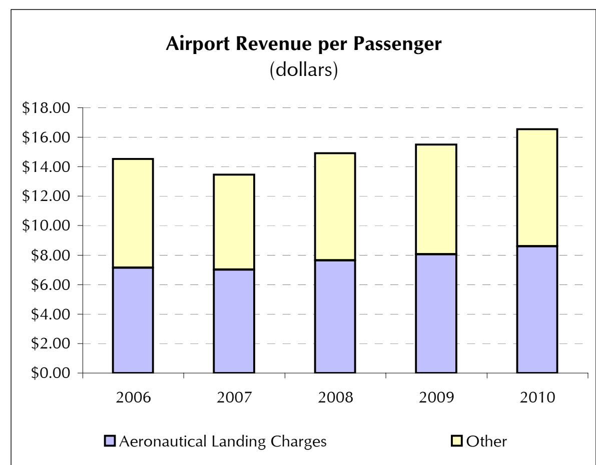
**WELLINGTON INTERNATIONAL AIRPORT LIMITED (WIAL)**
Consolidated Annual Report
For the Year Ended **31 March 2010**

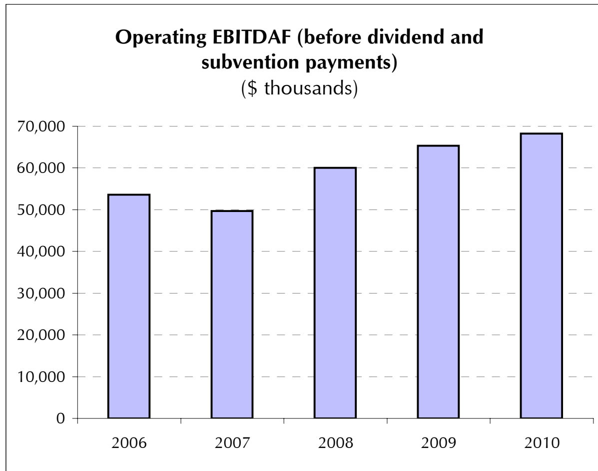
# 2006 to 2010: FIVE YEAR SUMMARY

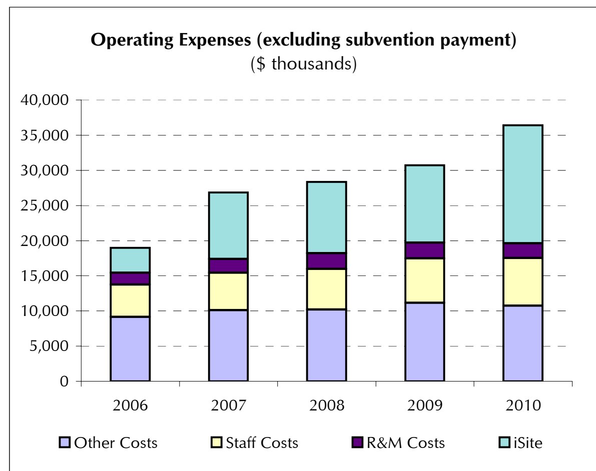


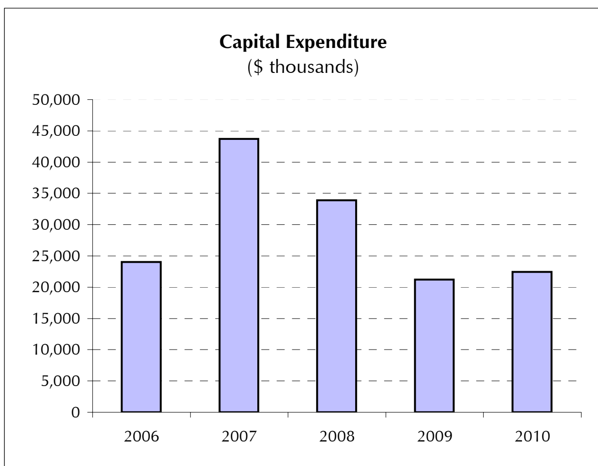



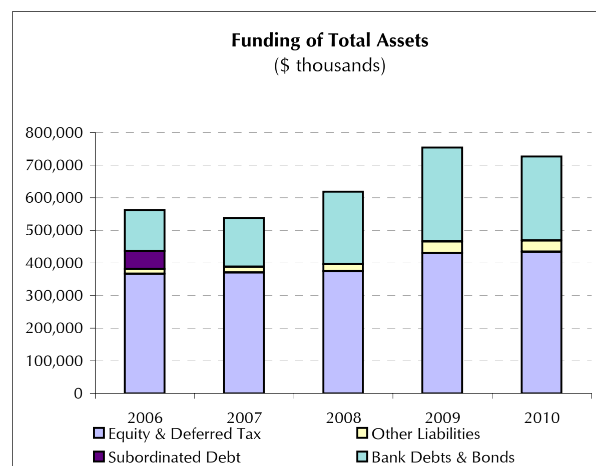



# DIRECTORS' REPORT

The directors have pleasure in presenting to shareholders their twentieth consolidated annual report for Wellington International Airport Limited (WIAL) for the year ended 31 March 2010.

## Directors

The directors of WIAL during the year were:

- David Newman, Chairman
- Kevin Baker
- Timothy Brown
- Steven Fitzgerald
- Kerry Prendergast
- Keith Sutton (appointed 1 January 2010 - previously alternate director for Kerry Prendergast and Denis Thom)
- Denis Thom (retired 31 December 2009)

## 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 year.

## Earnings

Total revenue for the year was $104.6 million. The profit after taxation amounted to $7.3 million.

## Dividends

A dividend of $7.1 million was paid to Wellington City Council on 24 July 2009.

## Retained Earnings Reserve

The total increase in equity for the year, being the total recognised revenues net of expenses less dividends paid was $4.5 million. The retained earnings reserve at 31 March 2010 totaled $144.5 million.

## Revaluation Reserves

The total revaluation reserve at 31 March 2010 was $224.1 million.

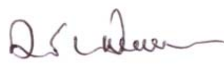
## Liabilities and Funding

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
14 May 2010

**Keith Sutton**
Director
14 May 2010

# CHAIRMAN AND CHIEF EXECUTIVE REPORT

## Introduction

In 2009, Wellington Airport celebrated its 50th year of operation at its current Rongotai site.

Given the economic and aviation environments, the Airport's staff and Board can look back on the year with some satisfaction. The financial result was solid, operations functioned smoothly, the Airport's development programme was progressed to plan, a number of services were initiated and passenger services and facilities were enhanced.

These outcomes were delivered notwithstanding a small decline in domestic traffic which was only slightly offset by growth on international services.

At the end of the year Wellington's traffic was stable and airline capacity and schedule plans indicated that modest growth could be anticipated for the next year.

For the year to 31 March 2010 total passenger numbers were 5,117,906 from 5,256,398, while earnings before interest, tax, depreciation, amortisation, revaluations/realisations and payments to shareholders were $68.2 million from $65.3 million the year prior.

The improvement to earnings was due to better income from passenger services (up $2.1 million) and aeronautical income (up $1.3 million). There was a lower contribution from property and other activities while operating costs (excluding iSite Limited) were flat. The management of expenses was particularly good given unavoidable increases to rates, insurance and regulatory costs.

The arrival of Jetstar services on the domestic trunk was the year's main aviation event. New Zealand now has three strong and vigorous jet carriers competing on trunk services. Consumers' positive response to the offers of Air New Zealand, Pacific Blue and Jetstar is shown by the airlines' March 2010 average 80% loadings on the trunk routes.

In January 2010 Wellington Airport published its 2030 Master Plan following extensive consultation. This document includes the Airport's growth forecasts for the next 20 years and the infrastructure work required to accommodate the increased activity. Over the last twenty years Wellington's traffic has gone from 2.6 million to 5.1 million passengers. Approximately the same growth rate is forecast into the future, meaning that by 2030 about 10 million passengers will be using Wellington Airport each year. Both the growth and the approximately $450 million investment it will require are consistent with what has occurred over the last decade.

The growth will put pressure on the Airport's land transport links with the region and this is being actively addressed with the relevant councils and government agencies.

During the year ratings agency Standard & Poor's reaffirmed Wellington Airport's BBB+/Stable/A-2 credit standing as having not changed during the global financial crisis or recession. The Airport rated well with its response to changes in the environment, its progress on the international terminal upgrade and its conservative liability profile.

## Business, People and Community

After 20 years on the Airport company Board, Denny Thom retired as a director. Denny's time of involvement spanned from pre-corporatisation, through Crown ownership to the Airport's current status of ownership by Infratil and Wellington City Council. His keen intellect and strong sense of purpose were important factors behind the development of the Airport into its current status as a gateway the region is proud of and which also makes a meaningful financial contribution to Wellington City and other shareholders.

About 1,400 people work at Wellington Airport, including the Airport Company's own staff of about 80. Over 6,000 people work in directly related employment. The Airport's operational and financial achievements over the last year are due to the work of these people.

Recognising its role in the community, Wellington Airport actively assists many community bodies and groups, including:

- The Wellington High Performance Aquatics, a joint project with Infratil.
- The Wellington Airport Regional Community Awards which are undertaken with The Community Trust of Wellington (last year's winner was Friends of the Motueka Hospital Trust representing Nelson Tasman District).
- The Spirit Awards which are made to students at local secondary schools.
- Sponsorship and other assistance provided to The Life Flight Trust, the Miramar Golf Club, Zealandia, Wellington Chamber of Commerce, NZ International Arts Festival and The Wellingtonian of the Year Awards.

## Aeronautical Activities

| YE 31 March | 2010 | 2009 |
|---|---|---|
| Domestic Passengers | 4,491,260 | 4,645,402 |
| International Passengers | 626,646 | 610,996 |
| Aeronautical Income | $54.5 million | $53.2 million |

Passenger numbers fell 2.6% relative to 2009, albeit relative to five years ago the numbers are still up 12% or almost 550,000 passengers.

International passengers grew 2.6% from last year's levels, trunk passengers fell 1.6% and regional services' passengers were down 7.1%. In each case the results reflect the level of airline competition occurring in the relevant market. Wellington's link with Sydney was a good example. On this route passenger numbers were up 11.5% on the prior year, mainly due to new Pacific Blue services, but relative to 2009 both Air New Zealand and Qantas also maintained increased loadings.

Disappointingly, capacity on regional services was reduced and this together with the resulting level of fares appears to have been behind the 7% fall in passengers. Trunk services were also down slightly on the prior year, but airline innovation and good pricing means that growth can reasonably be anticipated in 2011.

Also of disappointment, but signaling an area of future prospects, the Airport's links with Coolangatta was terminated during the year and Pacific Island links remain only seasonal.

Wellington Airport continues to promote the Wellington region for inbound travelers and to encourage airlines to provide new and expanded services. The City's tourism agency, Positively Wellington Tourism, the airlines and Government tourism bodies have been active partners in these endeavours.

Notwithstanding the small decline in passenger numbers, aeronautical income increased relative to the prior year. This was due to changes to the passenger mix and a small increase in aeronautical charges which had been determined in 2007 and came into effect in 2009.

### Passenger Services

| YE 31 March | 2010 | 2009 |
|---|---|---|
| Passenger Service Income | $25.7 million | $23.6 million |
| Per Passenger | $5.02 | $4.49 |

On-going improvement to terminal and transport facilities and services continues to lift both the quality of the experience of those visiting the Airport and the Airport's income.

In 2010 a number of changes to the terminal retail and food & beverage offering were implemented and have proven to be popular.

The Airport also assisted Valley Flyer to enhance the public transport links with the City and Hutt Valley. Patronage on these services has more than doubled since they were recently upgraded and over 14,000 people a month can use the bus to visit or exit the Airport.

### Commercial Property And Other Activities

| YE 31 March | 2010 | 2009 |
|---|---|---|
| Property and Other Income | $7.6 million | $8.3 million |

Income from commercial property rent and Wellington Airport's out-of-home advertising subsidiary, iSite Limited , was down 8% on the prior year. This was mainly due to a $0.3 million fall in property rent and a $0.3 million drop in iSite Limited's EBITDAF contribution.

In both areas slightly better results are anticipated for next year.

The Airport's valuers have advised that the Airport's investment property values have declined slightly over the year due to a rise in market capitalisation rates. They have assessed the market value of the investment properties to be $48.7 million based on their observation of market prices for comparable properties. The valuers increased the capitalisation rate used in their valuation to 8.79% from 8.66% and this caused a decline in assessed value by $0.7 million.

Wellington Airport also redesignated $10.1 million of property from "Investment" to "Aeronautical". This followed from adoption of the 2030 Master Plan which indicated that these areas had to be retained for aviation purposes and should not be considered for commercial or investment development.

### Economic Regulation

The Commerce Commission continued its review of the information disclosures of New Zealand's major airports as required by the amended Commerce Act. This multi-year process is intended to standardise and expressly define the information the airports will have to provide about their aeronautical assets and activities.

Because this could be a precursor to some form of more heavy handed regulation, Wellington Airport has engaged in the process in a comprehensive way. In 2010 the cost of this engagement amounted to over $1.0 million for external experts, and a substantial commitment of executive time.

## Financial Results

| YE 31 March (million) | 2010 | 2009 |
|---|---|---|
| Aeronautical Income | $54.5 | $53.2 |
| Passenger Service Income | $25.7 | $23.6 |
| Property and Other Income [1] | $7.6 | $8.3 |
| Operating Costs [1] | $19.6 | $19.8 |
| EBITDAF | $68.2 | $65.3 |
| Net Interest | $16.9 | $20.1 |
| Depreciation & Amortisation | $15.8 | $14.1 |
| Value Adjustments [2] | ($5.2) | ($0.4) |
| Capital Expenditure | $22.1 | $21.3 |

1. Property and Other Income includes the EBITDAF contribution from its subsidiary iSite Limited and consequently iSite Limited's operating costs are excluded from the Operating Cost reported above.

2. Amortisation of ineffective interest rate hedges amounted to $6.1 million in 2010 against $0.5 million in the prior year. While this cost is taken to the Profit & Loss Account an offsetting balance is credited to reserve under Comprehensive Income.

The $2.9 million (4.3%) improvement to earnings to $68.2 million was a good financial outcome in the context of the operating environment experienced. Rental on commercial property was down slightly as was the earnings contribution from iSite Limited, but income from aeronautical and passenger services held up and costs were well managed.

Interest costs fell as interest rates remained low. Wellington Airport's interest costs have now been fixed to the maturity of the relevant bonds. All of the Airport's funding is by way of medium term bonds with maturities in 2013 and 2017. Reflecting the still uncertain times the Company maintained substantial cash on deposit over the year.

Operating cash flow after interest and tax but before investment and financing activities and payments to shareholders (dividends and subvention payments) increased to $48.8 million, from $48.2 million the prior year. Profit after tax before payments to shareholders (dividends and subvention payments) increased to $31.0 million, from $30.3 million.

The Airport's capital works programme continued to plan with work completed on the runway upgrade and continuing on the international terminal, "The Rock". This construction is projected to finish in the third quarter of 2010 and while the Master Plan indicates a substantial capital works need over the next decade, immediate investment plans are modest.

## Outlook

Wellington Airport managed to deliver a good financial and operating result despite trying market conditions. In 2011 it is expected that the market will improve slightly.

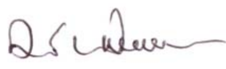
The Airport's focus will remain on cost control, providing good services to airlines and passengers and ensuring development plans progress so that future growth is not constrained by inadequate facilities.

Over the medium term it is anticipated that growth in traffic will resume, but as has tended to be the case in the past, in all probability it will come in "lumps".

The New Zealand and Australian air markets are becoming increasingly integrated and are developing on many fronts. Jetstar are pioneering new modes of connectivity with Asia. Air New Zealand continues to excel in the provision of conventional air services. The Virgin group is improving its international long-haul to complement its Australasian short-haul services. New Asian airlines and Middle East based global carriers vie for market share with established Asian based carriers.

The Airport will continue to enhance its role as the gateway to central New Zealand while working with economic and tourist agencies and airlines to improve and develop services.

On behalf of the Board and management.



**David Newman**
Chairman
14 May 2010

**Steven Fitzgerald**
Chief Executive
14 May 2010

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2010

| | Notes | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **$000** | $000 | **$000** | $000 |
| Landing and terminal charges | | 43,977 | 42,343 | 43,977 | 42,343 |
| International departure fees | | 6,453 | 6,389 | 6,453 | 6,389 |
| Property rent and lease income | | 10,147 | 10,819 | 10,147 | 10,819 |
| Retail and trading activities | | 44,069 | 36,509 | 25,669 | 23,561 |
| **Total revenue** | | **104,646** | **96,060** | **86,246** | **83,112** |
| Operating expenses | 4 | (28,119) | (22,893) | (12,872) | (13,369) |
| Subvention payment | | (23,675) | (23,287) | (23,675) | (23,287) |
| Employee remuneration and benefits | | (8,299) | (7,830) | (6,770) | (6,327) |
| **Total operating expenditure** | | **(60,093)** | **(54,010)** | **(43,317)** | **(42,983)** |
| **Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF)** | | **44,553** | **42,050** | **42,929** | **40,129** |
| Investment property revaluation decrease | 12 | (740) | (6,369) | (740) | (6,369) |
| Property, plant and equipment revaluation impairment | | - | (946) | - | (946) |
| Impairment loss of intangibles | 10 | - | (819) | - | - |
| Depreciation | 11 | (14,747) | (12,871) | (14,372) | (12,404) |
| Amortisation of intangibles | 10 | (1,040) | (1,241) | - | - |
| **Operating earnings before interest and financing expense** | | **28,026** | **19,804** | **27,817** | **20,410** |
| Interest income | | 774 | 1,116 | 774 | 1,116 |
| Interest expense | | (17,629) | (21,222) | (17,318) | (20,542) |
| Amortisation of fair value of ineffective hedges transferred from equity | | (6,140) | (456) | (6,140) | (456) |
| Change in value of financial instruments designated as fair value through profit or loss | | 1,682 | 8,214 | 1,682 | 8,214 |
| Net financing expense | | **(21,313)** | **(12,348)** | **(21,002)** | **(11,668)** |
| **Net surplus before taxation** | | 6,713 | 7,456 | 6,815 | 8,742 |
| Taxation income/(expense) | 8 | 568 | (453) | 491 | (716) |
| **Net surplus** | | **7,281** | **7,003** | **7,306** | **8,026** |
| **Other comprehensive income** | | | | | |
| Revaluation of property, plant and equipment | | - | 75,824 | - | 75,824 |
| Amortisation of fair value of ineffective hedges transferred to profit or loss | | 6,140 | 456 | 6,140 | 456 |
| Effective portion of changes in fair value of cash flow hedges | | - | (17,656) | - | (17,656) |
| Income tax relating to components of other comprehensive income | 8 | (1,842) | (17,587) | (1,842) | (17,587) |
| Other comprehensive income, net of tax | | **4,298** | **41,037** | **4,298** | **41,037** |
| **Total comprehensive income** | | **11,579** | **48,040** | **11,604** | **49,063** |

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2010

| Consolidated | Attributable to Equity Holders of the Group | | | | |
|---|---|---|---|---|---|
| | Capital<br>$000 | Revaluation Reserve<br>$000 | Hedge Reserve<br>$000 | Retained Earnings<br>$000 | Total Equity<br>$000 |
| Balance as at 1 April 2009 | 9,050 | 224,126 | (12,107) | 144,261 | 365,330 |
| **Total comprehensive income** | | | | | |
| Net surplus | - | - | - | 7,281 | 7,281 |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation | - | - | 4,298 | - | 4,298 |
| **Total other comprehensive income** | **-** | **-** | **4,298** | **-** | **4,298** |
| **Total comprehensive income** | **-** | **-** | **4,298** | **7,281** | **11,579** |
| | | | | | |
| **Contributions by and distributions to owners** | | | | | |
| Dividends to equity holders | - | - | - | (7,068) | (7,068) |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **(7,068)** | **(7,068)** |
| | | | | | |
| **Balance at 31 March 2010** | **9,050** | **224,126** | **(7,809)** | **144,474** | **369,841** |

| Consolidated | Attributable to Equity Holders of the Group | | | | |
|---|---|---|---|---|---|
| | Capital<br>$000 | Revaluation Reserve<br>$000 | Hedge Reserve<br>$000 | Retained Earnings<br>$000 | Total Equity<br>$000 |
| Balance as at 1 April 2008 | 9,050 | 171,049 | (67) | 144,443 | 324,475 |
| **Total comprehensive income** | | | | | |
| Net surplus | - | - | - | 7,003 | 7,003 |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Revaluation of property, plant and equipment, net of taxation | - | 53,077 | - | - | 53,077 |
| Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation | - | - | 319 | - | 319 |
| Effective portion of changes in fair value of cash flow hedges, net of taxation | - | - | (12,359) | - | (12,359) |
| **Total other comprehensive income** | **-** | **53,077** | **(12,040)** | **-** | **41,037** |
| **Total comprehensive income** | **-** | **53,077** | **(12,040)** | **7,003** | **48,040** |
| | | | | | |
| **Contributions by and distributions to owners** | | | | | |
| Dividends to equity holders | - | - | - | (7,185) | (7,185) |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **(7,185)** | **(7,185)** |
| | | | | | |
| **Balance at 31 March 2009** | **9,050** | **224,126** | **(12,107)** | **144,261** | **365,330** |

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

## STATEMENT OF CHANGES IN EQUITY (continued)

### FOR THE YEAR ENDED 31 MARCH 2010

| Parent | Capital $000 | Revaluation Reserve $000 | Hedge Reserve $000 | Retained Earnings $000 | Total Equity $000 |
|---|---|---|---|---|---|
| | Attributable to Equity Holders of the Company | | | | |
| Balance as at 1 April 2009 | 9,050 | 224,126 | (12,107) | 149,550 | 370,619 |
| **Total comprehensive income** | | | | | |
| Net surplus | - | - | - | 7,306 | 7,306 |
| **Other comprehensive income** | | | | | |
| Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation | - | - | 4,298 | - | 4,298 |
| **Total other comprehensive income** | **-** | **-** | **4,298** | **-** | **4,298** |
| **Total comprehensive income** | **-** | **-** | **4,298** | **7,306** | **11,604** |
| **Contributions by and distributions to owners** | | | | | |
| Dividends to equity holders | - | - | - | (7,068) | (7,068) |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **(7,068)** | **(7,068)** |
| **Balance at 31 March 2010** | **9,050** | **224,126** | **(7,809)** | **149,788** | **375,155** |

| Parent | Capital $000 | Revaluation Reserve $000 | Hedge Reserve $000 | Retained Earnings $000 | Total Equity $000 |
|---|---|---|---|---|---|
| | Attributable to Equity Holders of the Company | | | | |
| Balance as at 1 April 2008 | 9,050 | 171,049 | (67) | 148,709 | 328,741 |
| **Total comprehensive income** | | | | | |
| Net surplus | - | - | - | 8,026 | 8,026 |
| **Other comprehensive income** | | | | | |
| Revaluation of property, plant and equipment, net of taxation | - | 53,077 | - | - | 53,077 |
| Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation | - | - | 319 | - | 319 |
| Effective portion of changes in fair value of cash flow hedges, net of taxation | - | - | (12,359) | - | (12,359) |
| **Total other comprehensive income** | **-** | **53,077** | **(12,040)** | **-** | **41,037** |
| **Total comprehensive income** | **-** | **53,077** | **(12,040)** | **8,026** | **49,063** |
| **Contributions by and distributions to owners** | | | | | |
| Dividends to equity holders | - | - | - | (7,185) | (7,185) |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **(7,185)** | **(7,185)** |
| **Balance at 31 March 2009** | **9,050** | **224,126** | **(12,107)** | **149,550** | **370,619** |

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

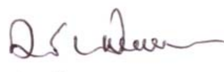
# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2010

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | Notes | **2010** | 2009 | **2010** | 2009 |
| | | **$000** | $000 | **$000** | $000 |
| Cash | 7 | 31,361 | 65,470 | 30,509 | 64,654 |
| Trade receivable | 14 | 10,099 | 8,499 | 7,650 | 7,357 |
| Intercompany receivable | 14 | - | - | 143 | 186 |
| Prepayments and sundry receivable | | 3,420 | 3,865 | 3,217 | 3,711 |
| **Current assets** | | **44,880** | **77,834** | **41,519** | **75,908** |
| Property, plant and equipment | 11 | 621,934 | 602,500 | 620,879 | 601,246 |
| Investment properties | 12 | 48,704 | 59,554 | 48,704 | 59,554 |
| Goodwill | 10 | 7,379 | 7,379 | - | - |
| Intangible assets | 10 | 3,960 | 5,009 | - | - |
| Investment in subsidiary | 13 | - | - | 10,096 | 10,096 |
| Intercompany loan | 18 | - | - | 692 | 1,542 |
| Fair value of derivatives | 14 | - | 1,244 | - | 1,244 |
| **Non current assets** | | **681,977** | **675,686** | **680,371** | **673,682** |
| **Total assets** | | **726,857** | **753,520** | **721,890** | **749,590** |
| Bank debt | 5 | - | 30,000 | - | 30,000 |
| Accounts payable | | 3,648 | 4,591 | 1,458 | 3,613 |
| Taxation payable | | 11,153 | 9,493 | 10,867 | 9,296 |
| Accruals and other liabilities | | 10,945 | 9,403 | 11,018 | 9,467 |
| Accrued employee benefits | 15 | 1,045 | 1,065 | 910 | 966 |
| **Current liabilities** | | **26,791** | **54,552** | **24,253** | **53,342** |
| Bank debt | 5 | 8,174 | 8,274 | - | - |
| Long term bonds | 6 | 250,000 | 250,000 | 250,000 | 250,000 |
| Deferred taxation liability | 8 | 64,195 | 64,583 | 64,626 | 64,848 |
| Fair value of derivatives | 14 | 7,856 | 10,781 | 7,856 | 10,781 |
| **Non current liabilities** | | **330,225** | **333,638** | **322,482** | **325,629** |
| Attributable to shareholders of the Company | | 369,841 | 365,330 | 375,155 | 370,619 |
| **Equity** | | **369,841** | **365,330** | **375,155** | **370,619** |
| **Total equity and liabilities** | | **726,857** | **753,520** | **721,890** | **749,590** |

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

On behalf of the Board



David Newman
Chairman
14 May 2010

Keith Sutton
Director
14 May 2010

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2010

| | Notes | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **$000** | $000 | **$000** | $000 |
| **Cash flows from operating activities** | | | | | |
| *Cash was provided from:* | | | | | |
| Receipts from customers | | 104,088 | 100,121 | 87,039 | 86,847 |
| Interest received | | 774 | 1,116 | 774 | 1,116 |
| | | **104,862** | **101,237** | **87,813** | **87,963** |
| *Cash was disbursed to:* | | | | | |
| Payments to suppliers and employees | | (37,456) | (32,769) | (21,863) | (21,204) |
| Subvention payment | 18 | (23,675) | (23,287) | (23,675) | (23,287) |
| Interest paid | | (18,601) | (20,261) | (18,290) | (19,581) |
| | | **(79,732)** | **(76,317)** | **(63,828)** | **(64,072)** |
| **Net cash flows from operating activities** | 16 | **25,130** | **24,920** | **23,985** | **23,891** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| *Cash was provided from:* | | | | | |
| Inter company loan | | - | - | 850 | 800 |
| Proceeds from sale of property, plant and equipment | | - | 27 | - | - |
| | | **-** | **27** | **850** | **800** |
| *Cash was disbursed to:* | | | | | |
| Purchase of property, plant, equipment and intangible assets | | (22,071) | (21,325) | (21,912) | (21,293) |
| **Net cash flow from investing activities** | | **(22,071)** | **(21,298)** | **(21,062)** | **(20,493)** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| *Cash was provided from:* | | | | | |
| Issue of retail bonds | | - | 100,000 | - | 100,000 |
| | | **-** | **100,000** | **-** | **100,000** |
| *Cash was disbursed to:* | | | | | |
| Repay bank debt | | (30,100) | (34,700) | (30,000) | (34,000) |
| Dividends paid | 18 | (7,068) | (7,185) | (7,068) | (7,185) |
| | | **(37,168)** | **(41,885)** | **(37,068)** | **(41,185)** |
| **Net cash flow from financing activities** | | **(37,168)** | **58,115** | **(37,068)** | **58,815** |
| | | | | | |
| Net (decrease)/increase in cash | | (34,109) | 61,737 | (34,145) | 62,213 |
| Cash at the beginning of the year | | 65,470 | 3,733 | 64,654 | 2,441 |
| **Cash at the end of the year** | | **31,361** | **65,470** | **30,509** | **64,654** |

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 2010

**(1) Accounting policies**

**(a) Reporting entity**
Wellington International Airport Limited ("WIAL" and the "Company") is a company domiciled in New Zealand and registered under the Companies Act 1993. It was established under the Wellington Airport Act 1990 and was incorporated in September 1990. The commencing assets of WIAL were vested in the Company on 16 October 1990 by an Order in Council. The Company commenced trading on 16 October 1990. Its registered office is located at Wellington Airport Terminal, Stewart Duff Drive, Wellington, New Zealand. The Company has bonds listed on the NZDX and is an issuer in the terms of the Financial Reporting Act 1993 and Securities Act 1978.

The financial statements of the Company are for the year ended 31 March 2010. The financial statements were approved by the board of directors on 14 May 2010.

**(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 the 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 iSite Limited, its subsidiary, (the "Group") as at and for the year ended 31 March 2010.

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: comprehensive income; changes in equity; 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) Significant accounting estimates and judgments**
The preparation of financial statements in conformity with NZIFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing these financial statements are set out below:

***Valuation of property, plant and equipment***
The basis of valuation for the Group's property, plant and equipment is fair value by independent valuers, or cost. The basis of the valuations include assessment of the net present value of the future earnings of the assets, the depreciated replacement cost, and other market based information, in accordance with asset valuation standards. The major inputs and assumptions that are used in the valuations that require judgement include forecasts of future revenues, sales volumes, capital investment and expenditure profiles, capacity, replacement values and life assumptions for each asset, and the application of discount rates. In respect to assets held at cost, judgements must be made about whether costs incurred relate to bringing an asset to its working condition for its intended use, and therefore are appropriate for capitalisation as part of the cost of the asset. The determination of the appropriate life for a particular asset requires management to make judgements about, among other factors, the expected future economic benefits of the asset and the likelihood of obsolescence. Revaluations are carried out by independent valuers with sufficient regularity, at least once every five years, to ensure that the carrying value does not differ from the fair value at balance date. The carrying value of property, plant and equipment and the valuation methodologies used at the last revaluation are disclosed in note 11.

***Valuation of investment properties***
The Group revalues its investment properties to fair value each year. The fair value of investment properties is estimated by an independent valuer which reflects market conditions at balance date. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of the investment properties. The carrying value of the investment properties and the valuation methodology applied are disclosed in note 12.

***Goodwill***
The carrying value of goodwill is subject to an annual impairment test to ensure that the carrying value does not exceed the recoverable amount at balance date. For the purpose of impairment testing, goodwill is allocated to the individual cash generating units to which it relates. Any impairment losses are recognised in the statement of comprehensive income. In determining the recoverable amount of goodwill, a valuation model to calculate the present value of expected future cash flows of the cash-generating unit is used. The carrying value of goodwill and the valuation methodology applied are disclosed in note 10.

**(b) Basis of preparation (continued)**

***Derivatives***

Derivatives are classified as financial assets or financial liabilities at fair value through the statement of comprehensive income. The key assumptions and risk factors for derivatives relate to their valuation. Accounting judgements have been made in determining hedge designation for the different types of derivatives employed by the Group to hedge risk exposures. Derivatives are based on market information and prices. The carrying value of derivatives and the valuation methodology applied are disclosed in note 14.

**(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.

**(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 profit or loss 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 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 profit or loss, in which case the increase is credited to profit or loss 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 profit or loss 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 profit or loss. 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 at least annually and depreciation is calculated on a basis consistent with those parameters.

**(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 profit or loss.

Investment properties are revalued annually to their fair value determined by an independent valuer, in accordance with NZIAS 40: Investment Property.

**(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**

Operating lease rentals are charged to profit or loss on a straight line basis over the period of the lease. Lease incentives received are recognised in profit or loss 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 profit or loss, 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 profit or loss.

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 profit or loss immediately unless the derivative is designated effective as a hedging instrument, in which event the timing of the recognition in profit or loss 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.

***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.

**(j) Derivative financial instruments (continued)**

***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 profit or loss as part of other expenses or other income. Amounts deferred in equity are recognised in profit or loss in the periods when the hedged item is recognised in profit or loss. 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

**(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 profit or loss 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 consolidating the Company and its subsidiary as defined in NZIAS 27: Consolidated and Separate Financial Statements.

Details of the Company's investment in its 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 are lower than the costs of acquisition, the deficiency is recognised in profit or loss 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.

**(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 profit or loss 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 except for the online car parking booking system where the revenue is recognised once the service is delivered.

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 profit or loss over the period of the borrowing using the effective interest rate.

**(q) Cash**

Cash comprises cash on hand, cash in banks and investments in money market instruments and form an integral part of the Group's cash management. Bank overdrafts are shown in bank debt in current liabilities in the statement of 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 profit or loss 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.

**(u) 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.

**(v) Share capital**

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

**(w) Segmental reporting**

The Company has considered the requirements for segmental reporting as set out in NZ IFRS 8: Operating Segments. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer. The Company has determined two segments exist for the airport and airport related operations and for the advertising operations.

**(x) New standards and interpretations**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009:

• 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 was removed.

• NZ IFRS 7 (amendment) Financial Instruments Disclosures - effective from 1 January 2009. The amendment requires a number of changes to the presentation and disclosures in financial statements.

• 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.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009, but are either not currently relevant or do not result in material accounting and/or disclosure changes for the Group:

• NZ IFRS 2 (amendment) Share Based Payment.
• NZ IAS 32 (amendment), Financial instruments: Presentation.
• IFRIC 13, Customer loyalty programmes.
• IFRIC 15, Agreements for the construction of real estate.
• IFRIC 16, Hedges of a net investment in a foreign operation.
• NZ IAS 39 (amendment), Financial instruments: Recognition and measurement.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

• NZ IFRS 3 (revised), Business combinations and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28, Investments in associates and IAS 31, Interests in joint ventures, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Company.

• NZ IFRS 9 Financial instruments effective for annual periods beginning on or after 1 January 2013. This is not currently applicable to the Company. The Group has not yet considered the impact of the new standard.

• NZ IAS 24 Related party disclosures (revised 2009) effective for annual periods beginning on or after 1 July 2011. This is not currently applicable to the Company. The Group has not yet considered the impact of the new standard.

• IFRIC 18, Transfers of assets from customers, effective for transfers of assets received on or after 1 July 2009. This is not currently applicable to the Company.

**(y) Changes in accounting policies**

There have been no changes in accounting policies during the year other than the adoption of the new standards and amendments to standards which are mandatory for the first time for the financial year beginning 1 April 2009 noted in accounting policy (x).

**(z) Comparatives**

Comparative figures have been restated where appropriate to ensure consistency with the current period (see Note 19(b) Financial commitments - leases).

### (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 predominantely 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 | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Fees paid to Group Auditors: | | | | |
| Audit fees | 92 | 96 | 78 | 81 |
| Taxation and other services | 118 | 38 | 113 | 22 |
| Bad debts written off | - | 9 | - | 9 |
| Directors' fees | 230 | 230 | 230 | 230 |
| Regulatory compliance | 1,095 | 995 | 1,095 | 995 |
| Repairs and maintenance | 2,108 | 2,210 | 2,108 | 2,210 |
| Advertising agency commissions | 2,915 | 2,392 | - | - |
| Rates and insurance | 3,298 | 2,687 | 3,260 | 2,651 |
| Operating lease expenses | 9,053 | 5,568 | 802 | 820 |
| Administration and other expenses | 9,210 | 8,668 | 5,186 | 6,351 |
| **Total operating expenses** | **28,119** | **22,893** | **12,872** | **13,369** |

### (5) Bank interest-bearing loans and borrowings

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

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| **Current liabilities** | | | | |
| Committed cash advance | - | 30,000 | - | 30,000 |
| **Non-current liabilities** | | | | |
| Bank credit facility | 8,174 | 8,274 | - | - |
| **Facilities utilised at reporting date** | | | | |
| Unsecured bank credit facilities | 8,174 | 38,274 | - | 30,000 |
| **Facilities not utilised at reporting date** | | | | |
| Unsecured bank credit facilities | 77,000 | 152,000 | 77,000 | 152,000 |

**Financing arrangements**

The Group's debt includes bank facilities with negative pledge arrangements, which with limited exceptions do not permit the borrower to grant any security over its assets. The Group is subject to certain compliance ratios relevant to bank facility agreements or Trust Deed applicable to the borrowings.

**Financing arrangements - standby facilities**

At year end, the Group had unsecured bank debt facilities of $85.2 million (2009: $190.3 million) which are able to be drawn-down as required and expire in June 2011. 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 2.80% to 3.95% (2009: 3.95% to 9.37%).

### (6) Bonds

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Retail bonds maturing in November 2013, fixed 7.50% p.a. | 100,000 | 100,000 | 100,000 | 100,000 |
| Wholesale bonds maturing August 2017, 2.99% per annum to 3 May 2010, then repriced quarterly at BKBM plus 25bp | 150,000 | 150,000 | 150,000 | 150,000 |
| **Balance at the end of the year** | **250,000** | **250,000** | **250,000** | **250,000** |
| At 31 March 2010 the bonds had a fair value of $254.5 million (2009: $248.3 million) | | | | |
| Non current portion | 250,000 | 250,000 | 250,000 | 250,000 |
| **Balance at the end of the year** | **250,000** | **250,000** | **250,000** | **250,000** |

### (7) Cash

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Bank balances | 2,091 | 1,459 | 1,239 | 643 |
| Call and short term deposits | 29,270 | 64,011 | 29,270 | 64,011 |
| **Total cash** | **31,361** | **65,470** | **30,509** | **64,654** |

### (8) Taxation

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Net surplus before taxation | 6,713 | 7,456 | 6,815 | 8,742 |
| Taxation for the year at 30% (2009: 30%) | 2,014 | 2,237 | 2,045 | 2,623 |
| Subvention payment made in respect to prior period | 7,103 | 6,985 | 7,103 | 6,985 |
| Plus/(less) taxation effect on non deductible expenses | 8 | 1,272 | - | 936 |
| Prior period adjustment | (200) | (357) | (343) | (357) |
| Loss offset | (2,853) | (1,892) | (2,631) | (1,694) |
| Under/(over) provision in prior years | (6,640) | (7,792) | (6,665) | (7,777) |
| **Taxation (income)/expense** | **(568)** | **453** | **(491)** | **716** |
| Current taxation | 1,662 | (192) | 1,573 | (194) |
| Deferred taxation | (2,230) | 645 | (2,064) | 910 |
| **Taxation (income)/expense** | **(568)** | **453** | **(491)** | **716** |

**Income tax recognised in other comprehensive income**

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| **Consolidated** | **Before tax** | **Tax (expense)/ benefit** | **Net of tax** | Before tax | Tax (expense)/ benefit | Net of tax |
| | **$000** | **$000** | **$000** | $000 | $000 | $000 |
| Amortisation of fair value of ineffective hedges transferred to profit or loss | 6,140 | (1,842) | 4,298 | 456 | (137) | 319 |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | (17,656) | 5,297 | (12,359) |
| Net change in fair value of property, plant and equipment recognised in equity | - | - | - | 75,824 | (22,747) | 53,077 |
| **Balance at the end of the year** | **6,140** | **(1,842)** | **4,298** | **58,624** | **(17,587)** | **41,037** |

**(8) Taxation (continued)**

| Parent | 2010 Before tax $000 | 2010 Tax (expense)/ benefit $000 | 2010 Net of tax $000 | 2009 Before tax $000 | 2009 Tax (expense)/ benefit $000 | 2009 Net of tax $000 |
|---|---|---|---|---|---|---|
| Amortisation of fair value of ineffective hedges transferred to profit or loss | 6,140 | (1,842) | 4,298 | 456 | (137) | 319 |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | (17,656) | 5,297 | (12,359) |
| Net change in fair value of property, plant and equipment recognised in equity | - | - | - | 75,824 | (22,747) | 53,077 |
| **Balance at the end of the year** | **6,140** | **(1,842)** | **4,298** | **58,624** | **(17,587)** | **41,037** |

**Deferred Tax**

| | Consolidated 2010 $000 | Consolidated 2009 $000 | Parent 2010 $000 | Parent 2009 $000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 64,583 | 49,912 | 64,848 | 49,912 |
| Charge/(credit) for the year | (2,230) | 645 | (2,064) | 910 |
| Deferred tax recognised in equity | 1,842 | 14,026 | 1,842 | 14,026 |
| **Balance at the end of the year** | **64,195** | **64,583** | **64,626** | **64,848** |

**Recognised deferred tax assets and liabilities**

| Consolidated | 2010 Assets $000 | 2010 Liabilities $000 | 2010 Net $000 | 2009 Assets $000 | 2009 Liabilities $000 | 2009 Net $000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | - | (67,142) | (67,142) | - | (67,390) | (67,390) |
| Investment properties | - | (583) | (583) | - | (302) | (302) |
| Derivatives | 2,995 | - | 2,995 | 2,864 | - | 2,864 |
| Employee benefits accrued | 198 | - | 198 | 114 | - | 114 |
| Financial assets at fair value through profit or loss | - | (94) | (94) | - | (134) | (134) |
| Other items | 431 | - | 431 | 265 | - | 265 |
| **Net tax assets/(liabilities)** | **3,624** | **(67,819)** | **(64,195)** | **3,243** | **(67,826)** | **(64,583)** |

| Parent | 2010 Assets $000 | 2010 Liabilities $000 | 2010 Net $000 | 2009 Assets $000 | 2009 Liabilities $000 | 2009 Net $000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | - | (67,142) | (67,142) | - | (67,390) | (67,390) |
| Investment properties | - | (583) | (583) | - | (302) | (302) |
| Derivatives | 2,995 | - | 2,995 | 2,864 | - | 2,864 |
| Employee benefits accrued | 198 | - | 198 | 114 | - | 114 |
| Financial assets at fair value through profit or loss | - | (94) | (94) | - | (134) | (134) |
| **Net tax assets/(liabilities)** | **3,193** | **(67,819)** | **(64,626)** | **2,978** | **(67,826)** | **(64,848)** |

**(8) Taxation (continued)**

**Movement in temporary differences during the year**

| Consolidated | Balance 1/4/08 $000 | Recognised in Earnings $000 | Recognised in Equity $000 | Balance 31/3/09 $000 | Recognised in Earnings $000 | Recognised in Equity $000 | Balance 31/3/10 $000 |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| Property, plant and equipment | (49,395) | 1,192 | (19,187) | (67,390) | 248 | - | (67,142) |
| Investment property | (544) | 242 | - | (302) | (281) | - | (583) |
| Financial assets at fair value though profit or loss | (133) | (1) | - | (134) | 40 | - | (94) |
| Liabilities: | | | | | | | |
| Employee benefits accrued | 131 | (17) | - | 114 | 84 | - | 198 |
| Other items | - | 265 | - | 265 | 166 | - | 431 |
| Derivatives | 29 | (2,326) | 5,161 | 2,864 | 1,973 | (1,842) | 2,995 |
| | **(49,912)** | **(645)** | **(14,026)** | **(64,583)** | **2,230** | **(1,842)** | **(64,195)** |

| Parent | Balance 1/4/08 $000 | Recognised in Earnings $000 | Recognised in Equity $000 | Balance 31/3/09 $000 | Recognised in Earnings $000 | Recognised in Equity $000 | Balance 31/3/10 $000 |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| Property, plant and equipment | (49,395) | 1,192 | (19,187) | (67,390) | 248 | - | (67,142) |
| Investment property | (544) | 242 | - | (302) | (281) | - | (583) |
| Financial assets at fair value though profit or loss | (133) | (1) | - | (134) | 40 | - | (94) |
| Liabilities: | | | | | | | |
| Employee benefits accrued | 131 | (17) | - | 114 | 84 | - | 198 |
| Derivatives | 29 | (2,326) | 5,161 | 2,864 | 1,973 | (1,842) | 2,995 |
| | **(49,912)** | **(910)** | **(14,026)** | **(64,848)** | **2,064** | **(1,842)** | **(64,626)** |

**Imputation credit account**

| | Consolidated 2010 $000 | Consolidated 2009 $000 | Parent 2010 $000 | Parent 2009 $000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 601 | 601 | 597 | 597 |
| **Balance at the end of the year** | **601** | **601** | **597** | **597** |
| At balance date the imputation credits available to the shareholders of the parent company were: | | | | |
| Through indirect interests in subsidiaries | 601 | 601 | 597 | 597 |
| **Balance at the end of the year** | **601** | **601** | **597** | **597** |

**(9) Shares on issue**

| | Consolidated 2010 $000 | Consolidated 2009 $000 | Parent 2010 $000 | Parent 2009 $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 no par value.

**(10) Intangible assets**

| Consolidated | Goodwill | Other Intangibles - Lease Agreements | Total |
|---|---|---|---|
| **At 31 March 2010** | **$000** | **$000** | **$000** |
| **Cost** | | | |
| Balance at the beginning of the year | 8,198 | 7,843 | 16,041 |
| Arising on acquisition of subsidiaries | - | - | - |
| Additions at cost | - | (9) | (9) |
| **Balance at the end of the year** | **8,198** | **7,834** | **16,032** |
| **Accumulated amortisation and impairment losses** | | | |
| Balance at the beginning of the year | (819) | (2,834) | (3,653) |
| Impairment | - | - | - |
| Amortisation for the year | - | (1,040) | (1,040) |
| **Balance at the end of the year** | **(819)** | **(3,874)** | **(4,693)** |
| | | | |
| **Carrying value at the end of the year** | **7,379** | **3,960** | **11,339** |

| Consolidated | Goodwill | Other Intangibles - Lease Agreements | Total |
|---|---|---|---|
| **At 31 March 2009** | **$000** | **$000** | **$000** |
| **Cost** | | | |
| Balance at the beginning of the year | 8,198 | 7,729 | 15,927 |
| Arising on acquisition of subsidiaries | - | - | - |
| Additions at cost | - | 114 | 114 |
| **Balance at the end of the year** | **8,198** | **7,843** | **16,041** |
| | | | |
| **Accumulated amortisation and impairment losses** | | | |
| Balance at the beginning of the year | - | (1,593) | (1,593) |
| Impairment | (819) | - | (819) |
| Amortisation for the year | - | (1,241) | (1,241) |
| **Balance at the end of the year** | **(819)** | **(2,834)** | **(3,653)** |
| | | | |
| **Carrying value at the end of the year** | **7,379** | **5,009** | **12,388** |

The Company has no intangible assets.

**The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:**
For the purposes of impairment testing, goodwill is allocated to the following cash generating unit, which represents the lowest level at which goodwill is monitored for internal management purposes.

The following unit has a carrying amount of goodwill.

*iSite Limited*
The impairment test for goodwill is considered annually and 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 Limited. The cash flows were determined from a base case established for the year ended 31 March 2010 and projected cash flows for the following five years. A pre-tax discount rate of 17.1% (2009: 17.1%) was used to discount the future cash flows.
- Cash flows were projected based on actual operating results, budgets, five year forecasts for the business and include billboard and other media income, operating costs and capital expenditure assumptions.
- The key assumptions are:
  - Annual revenue is forecast to grow on average by 10.2% per year for the years 2011 to 2015 (2009: 5% for the years 2010 to 2014)
  - Annual costs are forecast to grow on average by 9.6% per year for the years 2011 to 2015 (2009: 2.5% for the years 2010 to 2014)
  - Capital expenditure costs are forecast to be on average $0.3 million per year for the years 2011 to 2015 (2009: $0.2 million for the years 2010 to 2014)

At 31 March 2010, the Company reassessed the recoverable amount of iSite Limited. No impairment existed as at 31 March 2010 (2009: $0.8 million).

**(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 2009 | 203,857 | 123,945 | 245,029 | 27,334 | 14,446 | 614,611 |
| Additions | - | - | - | 192 | 23,895 | 24,087 |
| Transfer from/(to) investment properties | 10,304 | (41) | (153) | - | - | 10,110 |
| Transfer from capital work in progress | - | 7,182 | 95 | 65 | (7,342) | - |
| Disposals | - | - | - | (14) | - | (14) |
| **Balance at 31 March 2010** | **214,161** | **131,086** | **244,971** | **27,577** | **30,999** | **648,794** |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at 1 April 2009 | - | - | - | 12,111 | - | 12,111 |
| Depreciation for the year | - | 5,714 | 6,377 | 2,656 | - | 14,747 |
| Disposals | - | - | - | 2 | - | 2 |
| **Balance at 31 March 2010** | **-** | **5,714** | **6,377** | **14,769** | **-** | **26,860** |
| | | | | | | |
| **Carrying value at 31 March 2010** | **214,161** | **125,372** | **238,594** | **12,808** | **30,999** | **621,934** |

| 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 from/(to) investment properties | - | (721) | (2,450) | (1) | 58 | (3,114) |
| Transfer from capital work in progress | - | 13,718 | 204 | 3,671 | (17,593) | - |
| Disposals | - | (41) | (24) | (762) | - | (827) |
| Movements in asset revaluation | 3,054 | 7,251 | 32,279 | 659 | - | 43,243 |
| **Balance at 31 March 2009** | **203,857** | **123,945** | **245,029** | **27,334** | **14,446** | **614,611** |
| | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at 1 April 2008 | - | 6,698 | 11,434 | 9,911 | - | 28,043 |
| Depreciation for the year | - | 3,876 | 6,152 | 2,843 | - | 12,871 |
| Disposals | - | (2) | (3) | (643) | - | (648) |
| Movements in asset revaluation | - | (10,572) | (17,583) | - | - | (28,155) |
| **Balance at 31 March 2009** | **-** | **-** | **-** | **12,111** | **-** | **12,111** |
| | | | | | | |
| **Carrying value at 31 March 2009** | **203,857** | **123,945** | **245,029** | **15,223** | **14,446** | **602,500** |

| 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 | 101,492 | 191,291 | 27,499 | 14,446 | 417,658 |
| Transfer from investment properties | 2,085 | (80) | (236) | - | - | 1,769 |
| Increase/(decrease) in assets under construction during the year | - | 7,182 | 95 | 256 | 16,553 | 24,086 |
| Less accumulated depreciation | - | (24,117) | (36,690) | (14,813) | - | (75,620) |
| **Net Book Value 31 March 2010** | **85,015** | **84,477** | **154,460** | **12,942** | **30,999** | **367,893** |
| | | | | | | |
| **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 | - | - | - | - | 2,207 | 2,207 |
| Less accumulated depreciation | - | (20,416) | (31,889) | (12,155) | - | (64,460) |
| **Net Book Value 31 March 2009** | **82,930** | **74,328** | **159,532** | **15,020** | **14,446** | **346,256** |

**(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 2009 | 203,857 | 123,945 | 245,029 | 23,858 | 14,446 | 611,135 |
| Additions | - | - | - | - | 23,895 | 23,895 |
| Transfer from/(to) investment properties | 10,304 | (41) | (153) | - | - | 10,110 |
| Transfer from capital work in progress | - | 7,182 | 95 | 65 | (7,342) | - |
| **Balance at 31 March 2010** | **214,161** | **131,086** | **244,971** | **23,923** | **30,999** | **645,140** |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at 1 April 2009 | - | - | - | 9,889 | - | 9,889 |
| Depreciation for the year | - | 5,714 | 6,377 | 2,281 | - | 14,372 |
| **Balance at 31 March 2010** | **-** | **5,714** | **6,377** | **12,170** | **-** | **24,261** |
| **Carrying value at 31 March 2010** | **214,161** | **125,372** | **238,594** | **11,753** | **30,999** | **620,879** |

| 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 from/(to) investment properties | - | (721) | (2,450) | (1) | 58 | (3,114) |
| Transfer from capital work in progress | - | 13,718 | 204 | 3,671 | (17,593) | - |
| Disposals | - | (41) | (24) | (535) | - | (600) |
| Movements in asset revaluation | 3,054 | 7,251 | 32,279 | 659 | - | 43,243 |
| **Balance at 31 March 2009** | **203,857** | **123,945** | **245,029** | **23,858** | **14,446** | **611,135** |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at 1 April 2008 | - | 6,698 | 11,433 | 7,829 | - | 25,960 |
| Depreciation for the year | - | 3,876 | 6,152 | 2,376 | - | 12,404 |
| Disposals | - | (2) | (2) | (316) | - | (320) |
| Movements in asset revaluation | - | (10,572) | (17,583) | - | - | (28,155) |
| **Balance at 31 March 2009** | **-** | **-** | **-** | **9,889** | **-** | **9,889** |
| **Carrying value at 31 March 2009** | **203,857** | **123,945** | **245,029** | **13,969** | **14,446** | **601,246** |

| 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 | 101,492 | 191,291 | 24,025 | 14,446 | 414,184 |
| Transfer from investment properties | 2,085 | (80) | (236) | - | - | 1,769 |
| Increase/(decrease) in assets under construction during the year | - | 7,182 | 95 | 78 | 16,553 | 23,908 |
| Less accumulated depreciation | - | (24,117) | (36,690) | (12,217) | - | (73,024) |
| **Net Book Value 31 March 2010** | **85,015** | **84,477** | **154,460** | **11,886** | **30,999** | **366,837** |
| **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 | - | - | - | - | 2,207 | 2,207 |
| Less accumulated depreciation | - | (20,416) | (31,889) | (9,936) | - | (62,241) |
| **Net Book Value 31 March 2009** | **82,930** | **74,328** | **159,532** | **13,765** | **14,446** | **345,001** |

**(11) Property, plant and equipment (continued)**

All land, buildings and civil 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 assets (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 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.

The following table summarises the valuation approach and key assumptions used by the valuers to arrive at fair value:

| Asset classification and description | Valuation approach | Key valuation assumptions |
|---|---|---|
| **Land** | | |
| Aeronautical land - used for airport activities and specialised non-aeronautical assets<br>Market land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business | Zonal approach - direct sales comparison with appropriate adjustment for intensity of development, location, titles, easement and services | Sales value per square meter applied ranging from $38 to $800 per m2 |
| **Civil** | | |
| Civil works includes sea protection and site services, excluding such site services to the extent that they would otherwise create duplication of value | Optimised depreciated replacement cost | Cost rates including concrete $700 per m3, asphalt $630 to $900 per m3 and other foundation $5 to $90 per m3 |
| **Buildings** | | |
| Specialised buildings used for identified airport activities | Optimised depreciated replacement cost derived from modern equivalent asset rate | Modern equivalent asset rates ranging from $175 to $5,000 per m2 |
| Buildings other than for identified airport activities, including space allocated within the main terminal building for retail activities, carparking, offices and storage that exist because of the airport activities | Optimised depreciated replacement cost derived from modern equivalent asset rate | Modern equivalent asset rates ranging from $550 to $1,900 per m2 |
| **Vehicle assets** | | |
| Assets associated with car parking and taxi, shuttle and bus services (excluding land) | Discounted cash flow | Revenue growth 3% per annum<br>Cost growth 3% per annum<br>Discount rate 12% |
| **Plant, machinery and equipment** | | |
| Plant, machinery and equipment comprises a mixture of specialised and non-specialised assets | Book value | - |

**Property, Plant and equipment under construction**

During the year ended 31 March 2010, the Company repaved the runway and construction continued on the new international terminal "The Rock". At 31 March 2010, total construction costs, including capitalised borrowing costs were $19.2 million (2009: $9.4 million).

At 31 March 2010, capitalised borrowing costs amounted to $1.6 million (2009: $0.9 million), with a capitalisation rate of 7.0% (2009: 7.5%).

**(12) Investment properties**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Balance at the beginning of the year | 59,554 | 62,809 | 59,554 | 62,809 |
| Transfer (to)/from property, plant and equipment | (10,110) | 3,114 | (10,110) | 3,114 |
| Investment properties revaluation decrease | (740) | (6,369) | (740) | (6,369) |
| **Balance at the end of the year** | **48,704** | **59,554** | **48,704** | **59,554** |

Investment properties are valued at fair value annually, based on independent valuations undertaken by Telfer Young Limited, registered valuers. 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. The methodologies applied are consistent with those used in the prior year. Movements in the valuation of investment properties are taken to profit or loss. The principal assumptions used in establishing the valuations were as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Discounted cash flow | 9.0% to 11.0% | 10.8% to 11.0% | 9.0% to 11.0% | 10.8% to 11.0% |
| Capitalisation rate | 7.5% to 14.0% | 8.5% to 10.2% | 7.5% to 14.0% | 8.5% to 10.2% |
| Weighted average lease term (years) | 4.4 | 5.4 | 4.4 | 5.4 |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| **Amounts recognised in profit or loss:** | | | | |
| Rental income from investment properties | 4,017 | 4,368 | 4,017 | 4,368 |
| Direct operating expenses arising from investment properties that generate income | (705) | (609) | (705) | (609) |
| **Total** | **3,312** | **3,759** | **3,312** | **3,759** |

**(13) Investment in subsidiary**

The Company holds shares in the following:

| **Subsidiary** | **Balance Date** | **2010 and 2009 Holding** | **Principle activity** |
|---|---|---|---|
| iSite Limited | 31 March | 100% | Advertising |

**(14) Financial instruments**

The Group has exposure to the following risks:

- 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. The Group has developed a comprehensive, enterprise wide risk management framework. Management and Board participate in the identification, assessment and monitoring of new and existing risks. Particular attention is given to strategic risks that could affect the Group. Management report to the Audit, Finance and Risk Committee and the Board on the Group's risks and the controls and treatments for those risks.

**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 including those arising from trade receivables with its customers, financial derivatives and transactions (including cash balances) with financial institutions. Cash is held with financial institutions with a minimum AA rating with Standard & Poor's or equivalent rating with other rating agencies. At 31 March 2010 cash was held solely with ANZ National Bank Limited. The Group has adopted a policy of only dealing with credit-worthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group minimises its exposure to credit risk of trade receivables through the adoption of counterparty credit limits and 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 monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

The Group has exposure to various counterparties. Concentration of credit risk with respect to trade receivables is concentrated in a small number of accounts because the Group has a limited range of customers for aeronautical and advertising services. At 31 March 2010, 70% (2009: 72%) of trade receivables was due from ten customers.

**Liquidity risk** is the risk that assets held by the Group cannot readily be converted to cash to meet the Group's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting 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. The Group manages this risk by maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities.

**Market risk** includes interest rate risk (cash flow and fair value) which is the risk of interest rate volatility negatively affecting the Group's interest expense cash flow and earnings. The Group mitigates this risk by issuing term borrowings at fixed interest rates and entering into Interest Rate Swaps to convert floating rate exposures to fixed rate exposure. Borrowing issued at fixed rates expose the Group to fair value interest rate risk which is managed by the interest rate profile and hedging.

**(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** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Trade receivable | 10,099 | 8,499 | 7,650 | 7,357 |
| Intercompany receivable | - | - | 143 | 186 |
| Sundry receivable | - | 14 | - | 14 |
| Fair value of derivatives | - | 1,244 | - | 1,244 |
| **Trade and other receivables** | **10,099** | **9,757** | **7,793** | **8,801** |

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 gross amounts at the end of the year were:

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Current | 9,186 | 8,011 | 7,060 | 7,057 |
| Overdue 0-30 days | 710 | 229 | 411 | 79 |
| Overdue 31-90 days | 162 | 221 | 138 | 183 |
| 91 days and over | 41 | 38 | 41 | 38 |
| **Total** | **10,099** | **8,499** | **7,650** | **7,357** |

There was no allowance for impairment losses (2009: $nil). The gross amounts represent their fair value.

**(14) Financial instruments (continued)**

**(b) Interest rate risk**

The Group is exposed to interest rate fluctuations on its bank debt and borrowings. The Group uses interest rate swaps to manage interest rate risk. The average effective interest rate for the interest rate swaps during the year ended 31 March 2010 was 6.72% (2009: 8.05%). At balance date the interest rate contracts outstanding were:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Interest rate swaps notional value | 150,000 | 150,000 | 150,000 | 150,000 |
| Fair value of interest rate swaps | (7,856) | (9,537) | (7,856) | (9,537) |
| **Maturity analysis** | | | | |
| More than 5 years | 150,000 | 150,000 | 150,000 | 150,000 |

**(c) Sensitivity analysis**

**Sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or loss | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | **100 bp increase** | **100 bp decrease** | 100 bp increase | 100 bp decrease |
| | **$000** | **$000** | $000 | $000 |
| Variable rate instruments | (1,500) | 1,500 | (1,500) | 1,500 |
| Interest rate swaps | 9,395 | (9,578) | 15,553 | (16,050) |
| **Net cash flow sensitivity** | **7,895** | **(8,078)** | **14,053** | **(14,550)** |

**(d) Fair values**

Financial instruments consist of cash and short term deposits, receivables, investments, advances to subsidiaries, accounts payable, bank loans and borrowings 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.

**(14) Financial instruments (continued)**

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Held-to-maturity $000 | Loans & receivables $000 | Fair value through profit and loss $000 | Amortised cost $000 | Total carrying amount $000 | Fair value $000 |
| **At 31 March 2010** | | | | | | |
| **Assets** | | | | | | |
| Cash | 31,361 | - | - | - | 31,361 | 31,361 |
| Trade and other receivables | - | 10,099 | - | - | 10,099 | 10,099 |
| **Total assets** | **31,361** | **10,099** | **-** | **-** | **41,460** | **41,460** |
| **Liabilities** | | | | | | |
| Trade and other payables | - | - | - | 3,648 | 3,648 | 3,648 |
| Unsecured bank facilities | - | - | - | 8,174 | 8,174 | 8,174 |
| Loans and borrowings | | | | | | |
| Retail bonds | - | - | - | 100,000 | 100,000 | 104,521 |
| Wholesale bonds | - | - | - | 150,000 | 150,000 | 150,000 |
| Derivatives | - | - | 7,856 | - | 7,856 | 7,856 |
| **Total liabilities** | **-** | **-** | **7,856** | **261,822** | **269,678** | **274,199** |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| **At 31 March 2009** | | | | | | |
| **Assets** | | | | | | |
| Cash | 65,470 | - | - | - | 65,470 | 65,470 |
| Trade and other receivables | - | 8,499 | - | - | 8,499 | 8,499 |
| Other investments, including derivatives | - | - | 1,244 | - | 1,244 | 1,244 |
| **Total assets** | 65,470 | 8,499 | 1,244 | - | 75,213 | 75,213 |
| **Liabilities** | | | | | | |
| Trade and other payables | - | - | - | 4,591 | 4,591 | 4,591 |
| Committed cash advance facility | - | - | - | 30,000 | 30,000 | 30,000 |
| Unsecured bank facilities | - | - | - | 8,274 | 8,274 | 8,274 |
| Loans and borrowings | | | | | | |
| Retail bonds | - | - | - | 100,000 | 100,000 | 98,316 |
| Wholesale bonds | - | - | - | 150,000 | 150,000 | 150,000 |
| Derivatives | - | - | 10,781 | - | 10,781 | 10,781 |
| **Total liabilities** | - | - | 10,781 | 292,865 | 303,646 | 301,962 |

**Estimation of fair values**

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of derivative financial instruments are calculated using quoted prices.
- The fair value of the wholesale bonds are calculated at cost.
- The fair value of other financial assets and liabilities are calculated using market-quoted rates based on discounted cash flow analysis.

**(14) Financial instruments (continued)**

| | Parent | | | | | |
|---|---|---|---|---|---|---|
| | Held-to-maturity $000 | Loans & receivables $000 | Fair value through profit and loss $000 | Amortised cost $000 | Total carrying amount $000 | Fair value $000 |
| **At 31 March 2010** | | | | | | |
| **Assets** | | | | | | |
| Cash | 30,509 | - | - | - | 30,509 | 30,509 |
| Trade and other receivables | - | 7,793 | - | - | 7,793 | 7,793 |
| **Total assets** | **30,509** | **7,793** | **-** | **-** | **38,302** | **38,302** |
| **Liabilities** | | | | | | |
| Trade and other payables | - | - | - | 1,458 | 1,458 | 1,458 |
| Loans and borrowings | | | | | | |
| Retail bonds | - | - | - | 100,000 | 100,000 | 104,521 |
| Wholesale bonds | - | - | - | 150,000 | 150,000 | 150,000 |
| Derivatives | - | - | 7,856 | - | 7,856 | 7,856 |
| **Total liabilities** | **-** | **-** | **7,856** | **251,458** | **259,314** | **263,835** |

| | Parent | | | | | |
|---|---|---|---|---|---|---|
| **At 31 March 2009** | | | | | | |
| **Assets** | | | | | | |
| Cash | 64,654 | - | - | - | 64,654 | 64,654 |
| Trade and other receivables | - | 7,543 | - | - | 7,543 | 7,543 |
| Other investments, including derivatives | - | - | 1,244 | - | 1,244 | 1,244 |
| **Total assets** | 64,654 | 7,543 | 1,244 | - | 73,441 | 73,441 |
| **Liabilities** | | | | | | |
| Trade and other payables | - | - | - | 3,613 | 3,613 | 3,613 |
| Committed cash advance facility | - | - | - | 30,000 | 30,000 | 30,000 |
| Loans and borrowings | | | | | | |
| Retail bonds | - | - | - | 100,000 | 100,000 | 98,316 |
| Wholesale bonds | - | - | - | 150,000 | 150,000 | 150,000 |
| Derivatives | - | - | 10,781 | - | 10,781 | 10,781 |
| **Total liabilities** | - | - | 10,781 | 283,613 | 294,394 | 292,710 |

Effective 1 April 2009, the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table below analysis financial instruments, measured at fair value at the end of the financial year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Consolidated/Parent | | | |
|---|---|---|---|---|
| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
| **At 31 March 2010** | | | | |
| **Assets** | | | | |
| **Total assets** | **-** | **-** | **-** | **-** |
| **Liabilities** | | | | |
| Derivatives | - | 7,856 | - | 7,856 |
| **Total liabilities** | **-** | **7,856** | **-** | **7,856** |
| **At 31 March 2009** | | | | |
| **Assets** | | | | |
| Derivatives | - | 1,244 | - | 1,244 |
| **Total assets** | **-** | **1,244** | **-** | **1,244** |
| **Liabilities** | | | | |
| Derivatives | - | 10,781 | - | 10,781 |
| **Total liabilities** | **-** | **10,781** | **-** | **10,781** |

**(14) Financial instruments (continued)**

**(e) Liquidity risk**

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date. The amounts in the tables below are disclosed at fair value, apart from bonds which are disclosed as contractual undiscounted cash flows and include interest through to maturity.

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance sheet $000 | Contractual cash flows $000 | 6 months or less $000 | 6-12 months $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
| **At 31 March 2010** | | | | | | | |
| Accounts payable | 15,638 | 15,638 | 15,638 | - | - | - | - |
| Unsecured bank facility | 8,174 | 8,174 | 8,174 | - | - | - | - |
| Retail bonds | 100,000 | 127,188 | 3,750 | 3,750 | 7,500 | 112,188 | - |
| Wholesale bonds | 150,000 | 182,929 | 2,243 | 2,242 | 4,485 | 13,455 | 160,504 |
| Derivative financial instruments | 7,856 | 7,856 | 535 | 535 | 1,070 | 3,210 | 2,506 |
| **Total liabilities** | **281,668** | **341,785** | **30,340** | **6,527** | **13,055** | **128,853** | **163,010** |

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 31 March 2009** | | | | | | | |
| Accounts payable | 15,059 | 15,059 | 15,059 | - | - | - | - |
| Unsecured bank facility | 38,274 | 38,274 | 38,274 | - | - | - | - |
| Retail bonds | 100,000 | 135,000 | 3,750 | 3,750 | 7,500 | 120,000 | - |
| Wholesale bonds | 150,000 | 194,520 | 2,782 | 2,783 | 5,565 | 16,695 | 166,695 |
| Derivative financial instruments | 10,781 | 10,781 | 2,364 | 2,365 | 4,729 | 1,323 | - |
| **Total liabilities** | **314,114** | **393,634** | **62,229** | **8,898** | **17,794** | **138,018** | **166,695** |

| | Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance sheet $000 | Contractual cash flows $000 | 6 months or less $000 | 6-12 months $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
| **At 31 March 2010** | | | | | | | |
| Accounts payable | 13,386 | 13,386 | 13,386 | - | - | - | - |
| Retail bonds | 100,000 | 127,188 | 3,750 | 3,750 | 7,500 | 112,188 | - |
| Wholesale bonds | 150,000 | 182,929 | 2,243 | 2,242 | 4,485 | 13,455 | 160,504 |
| Derivative financial instruments | 7,856 | 7,856 | 535 | 535 | 1,070 | 3,210 | 2,506 |
| **Total liabilities** | **271,242** | **331,359** | **19,914** | **6,527** | **13,055** | **128,853** | **163,010** |

| | Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 31 March 2009** | | | | | | | |
| Accounts payable | 14,046 | 14,046 | 14,046 | - | - | - | - |
| Unsecured bank facility | 30,000 | 30,000 | 30,000 | - | - | - | - |
| Retail bonds | 100,000 | 135,000 | 3,750 | 3,750 | 7,500 | 120,000 | - |
| Wholesale bonds | 150,000 | 194,520 | 2,782 | 2,783 | 5,565 | 16,695 | 166,695 |
| Derivative financial instruments | 10,781 | 10,781 | 2,364 | 2,365 | 4,729 | 1,323 | - |
| **Total liabilities** | **304,827** | **384,347** | **52,942** | **8,898** | **17,794** | **138,018** | **166,695** |

**(f) Cash flow hedges**

As at 31 March 2010, the Group has interest rate contracts with maturities up to August 2017. Hedge accounting ceased on 4 March 2009 and as at the date of change, a cash flow hedge reserve of $18.8 million was held. The cash flow hedge reserve is amortised to the statement of comprehensive income from the date of change over the original terms of the contracts maturing in 2011 and 2012. Interest rate contracts are marked to market and this has resulted in an unrealised gain of $1.7 million in the year ended 31 March 2010 (2009: $8.2 million).

**(14) Financial instruments (continued)**

**(g) Capital management**

The Group's capital includes share capital, reserves and retained earnings.
The key 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. The Group has complied with these ratios during the financial year. There were no changes in the Group's approach to capital management during the year.

**(15) Accrued employee benefits**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Salaries and wages | 484 | 502 | 463 | 482 |
| Annual leave | 558 | 518 | 444 | 438 |
| Accident compensation corporation | 3 | 45 | 3 | 46 |
| **Total accrued employee benefits** | **1,045** | **1,065** | **910** | **966** |

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

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| **Net surplus** | 7,281 | 7,003 | 7,306 | 8,026 |
| **Add items not involving cash flows** | | | | |
| Investment property revaluation decrease | 740 | 6,369 | 740 | 6,369 |
| Property, plant and equipment revaluation impairment | - | 946 | - | 946 |
| Change in value of financial instruments designated as fair value through profit or loss | (1,682) | (8,214) | (1,682) | (8,214) |
| Amortisation of fair value of ineffective hedges transferred from equity | 6,140 | 456 | 6,140 | 456 |
| Depreciation | 14,747 | 12,871 | 14,372 | 12,404 |
| (Gain)/loss on disposal of property, plant and equipment | (19) | 89 | (13) | 75 |
| Impairment loss on intangibles | - | 819 | - | - |
| Amortisation of intangibles | 1,040 | 1,241 | - | - |
| Movement in deferred tax | (2,229) | 645 | (2,066) | 910 |
| Interest capitalised | (1,592) | (898) | (1,592) | (898) |
| **Movements in working capital** | | | | |
| (Increase)/decrease in trade and accounts receivables | (1,600) | 1,263 | (250) | 936 |
| (Increase)/decrease in sundry receivables | 445 | (1,022) | 494 | (998) |
| Increase/(decrease) in accounts payable | (943) | 994 | (2,155) | 1,100 |
| Increase in accruals and other liabilities | 1,142 | 2,550 | 1,119 | 2,973 |
| Increase/(decrease) in taxation payable | 1,660 | (192) | 1,572 | (194) |
| **Net cash inflow from operating activities** | **25,130** | **24,920** | **23,985** | **23,891** |

**(17) Segment reporting**

Analysis of the revenue breakdown for the Group and the Company are provided to the chief operating decision-maker, identified as the Chief Executive Officer. This analysis does not provide individual operating results or statements of financial performance or position for these revenue classifications. The Company has, therefore, determined that two reportable segments exist for the airport being airport related operations and advertising operations.

The Company operates entirely in one geographical segment, New Zealand.

The airport related operations solely comprise the Company, which includes landing and terminal charges, international departure fees, property leases, retail and trading revenues.

| **Business segments** | **Airport** | **Advertising** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|
| | **$000** | **$000** | **$000** | **$000** |
| **At 31 March 2010** | | | | |
| Segment revenue - total | 86,246 | 19,984 | (1,584) | 104,646 |
| Inter-segment revenue | - | (1,584) | 1,584 | - |
| Segment revenue | 86,246 | 18,400 | - | 104,646 |
| Depreciation and amortisation | (14,372) | (1,415) | - | (15,787) |
| Impairment | - | - | - | - |
| Interest revenue | 774 | - | - | 774 |
| Interest expense | (17,318) | (311) | - | (17,629) |
| Net surplus before taxation | 6,815 | (102) | - | 6,713 |
| Taxation (expense)/benefit | 491 | 77 | - | 568 |
| Net surplus/(deficit) | 7,306 | (25) | - | 7,281 |
| Segment assets | 721,890 | 5,802 | (835) | 726,857 |
| Segment liabilities | (346,735) | (11,116) | 835 | (357,016) |
| Additions to non-current assets | 22,292 | 159 | - | 22,451 |
| **At 31 March 2009** | | | | |
| Segment revenue - total | 83,112 | 14,560 | (1,612) | 96,060 |
| Inter-segment revenue | - | (1,612) | 1,612 | - |
| Segment revenue | 83,112 | 12,948 | - | 96,060 |
| Depreciation and amortisation | (12,404) | (1,708) | - | (14,112) |
| Impairment | - | (819) | - | (819) |
| Interest revenue | 1,116 | - | - | 1,116 |
| Interest expense | (20,542) | (680) | - | (21,222) |
| Net surplus before taxation | 8,742 | (1,286) | - | 7,456 |
| Taxation (expense)/benefit | (716) | 263 | - | (453) |
| Net surplus/(deficit) | 8,026 | (1,023) | - | 7,003 |
| Segment assets | 749,589 | 5,664 | (1,733) | 753,520 |
| Segment liabilities | (378,970) | (10,953) | 1,733 | (388,190) |
| Additions to non-current assets | 20,973 | 32 | - | 21,005 |

**Major customers**

The Company has three main airline customers (Air New Zealand Group, Qantas Group and Pacific Blue Group). The revenue from these customers is reported under the airport business segment and for the year ended 31 March 2010 was $46.7 million (2009: $45.0 million).

### (18) Related parties

**Parent**

The Company has made an advance of $692,360 (2009: $1,542,360) to iSite Limited on a non-interest bearing basis, which is repayable on demand.

**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 $1,584,123 (2009: $1,612,066). The balance due to the Company at 31 March 2010 was $143,063 (2009: $185,899).

**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 a subsidiary of Infratil Limited of $23,675,105 (2009: $23,287,319).

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 $7,067,841 (2009: $7,184,994) i.e. 0.52 cents per share (2009: 0.53 cents per share).

The Group paid NZ Airports Limited fees totaling $369,500 for the services of the WIAL Chief Executive for the year ended 31 March 2010 (2009: $250,000).

The Group paid Flat Earth Solutions Limited, of which Andy Scotland (WIAL Executive) is one of its directors, fees for consultancy services on the online carpark and WIAL lounge projects totalling $91,771 (2009: $24,880).

Directors fees were paid during the year to T Brown and K Baker, employees of HRL Morrison & Co of $80,000 (2009: $80,000).

During the year, iSite Limited made payments to Infratil Outdoor Media Limited, a 100% subsidiary of Infratil Limited. The payments relate to the right to sell advertising of $3,616,849 (2009: $nil). Trade payables due to Infratil Outdoor Media Limited at 31 March 2010 were $929,825 (2009: $nil). In addition, during the year the Group received overhead related recharges from Infratil Outdoor Media Limited of $847,719 (2009: $nil). Trade receivables owed by Infratil Outdoor Media Limited at 31 March 2010 were $150,781 (2009: $nil).

From time to time directors of the Group, or their related entities, may enter into transactions with the Group. These transactions have been entered into on an arm's length commercial basis.

### (19) Financial commitments

**(a) Fixed assets**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Contracted but not provided for | **12,617** | **34,960** | **12,617** | **34,960** |

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

**(19) Financial commitments (continued)**

**(b) Leases**

The Company owns investment properties and other properties, plant and equipment which are held under operating leases and produce property income. These lessor commitments expire as set out below:

| *Lessor commitments* | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Between 0 to 1 year | 17,875 | 16,408 | 17,875 | 16,408 |
| Between 1 to 2 years | 16,134 | 14,010 | 16,134 | 14,010 |
| Between 2 to 5 years | 30,280 | 31,284 | 30,280 | 31,284 |
| More than 5 years | 9,185 | 13,829 | 9,185 | 13,829 |
| **Total lessor commitments** | **73,474** | **75,531** | **73,474** | **75,531** |

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

| *Lessee commitments* | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$000** | $000 | **$000** | $000 |
| Between 0 to 1 year | 2,765 | 2,638 | 802 | 820 |
| Between 1 to 2 years | 2,439 | 2,183 | 774 | 809 |
| Between 2 to 5 years | 4,760 | 4,759 | 2,279 | 2,248 |
| More than 5 years | 9,445 | 9,345 | 7,098 | 7,847 |
| **Total lessee commitments** | **19,409** | **18,925** | **10,953** | **11,724** |

iSite Limited leases a large number of billboard and light-box sites under operating leases and includes some that provide for additional rent payments based on site revenue. The leases run for periods ranging from 1 to 20 years.

**(20) Contingent liabilities**

In 2007, Air New Zealand Limited issued judicial review proceedings against the Company in relation to the setting of the airport charges. The claims made by Air New Zealand were struck out in the High Court. Air New Zealand appealed against the High Court judgments in the Court of Appeal. On 27 June 2009 the Court of Appeal dismissed the appeal by Air New Zealand.

There were no contingent liabilities outstanding at 31 March 2010.

**(21) Key management personnel disclosures**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | $000 | $000 | **$000** | $000 |
| Short-term employee benefits | **1,642** | **1,534** | **1,044** | **1,100** |

The key management personnel include the directors of the Company and those personnel reporting directly to the Chief Executive. The directors' fees of $230,200 (2009: $230,200) disclosed in note 4 for operating expenses are also included here as they form part of the remuneration to key management personnel.

**(22) Infratil staff share scheme**

The Group operates two staff share schemes, namely an executive share scheme and a staff share purchase scheme.

The Group has recorded $39,728 in the profit or loss in respect of the executive share scheme for the year ended 31 March 2010 (2009: $nil).

In association with employee participation in the staff share purchase scheme, the Group and Company have recorded $29,890 in interest free loans for the year ended 31 March 2010 ($2009: $18,891).

Based upon quantitative and qualitative considerations, the Group has not included the extensive disclosures required by NZ IFRS 2 Share Based Payment in the notes to these financial statements.

**(23) Events after balance date**

There were no disclosable events after balance date.

# STATUTORY INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2010

### 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 |
| | Guardians of New Zealand Superannuation | Deputy Chairman |
| | Glasgow Prestwick Airport Limited | Director |
| | Infratil Airports Europe 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 4 Limited | Director |
| | Infratil No 5 Limited | Director |
| | Infratil Insurance Co Limited | Director |
| | Infratil Trustee Company Limited | Director |
| | Infratil Kent Airport Limited | Director |
| | Infratil Kent Facilities Limited | Director |
| | NZ Airports Limited | Director |
| | Prestwick Airport Limited | Director |
| | Swift Transport Limited | Director |
| Kevin Baker | Infratil Energy New Zealand Limited | Director |
| | Infratil Energy Australia Pty Limited | Director |
| | New Zealand Bus Limited | Director |
| | New Zealand Bus Finance Company Limited | Director |
| | Renew Nominees Limited | Director |
| | Snapper Services Limited | Director |
| | Victoria Electricity Pty Limited | Director |
| | H.R.L. Morrison & Co Limited | Executive |
| 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 | NZ Airports Association Inc | Deputy Chairman |
| | Glasgow Prestwick Airport Limited | Director |
| | Great Holidays Limited | Director |
| | Infratil Kent Airport Limited | Director |
| | Infratil Kent Facilities Limited | Director |
| | North West Auckland Airport Limited | Director |
| | PIK MRO Limited | Director |
| | Prestwick Airport Limited | Director |
| | Prestwick Aviation Holdings Limited | Director |
| | Runway Realisations Limited | Director |
| | The Airport Driving Range Company Limited | Director |
| | NZ Airports Limited | Executive |

## Directors' interests (continued)

| | | |
|---|---|---|
| Kerry Prendergast | Wellington City Council | Mayor |
| Keith Sutton | Taranaki Investment Management Limited | Chairman |
| | Animal Health Board Inc | Director |
| | Aotearoa Fisheries Limited | Director |
| | Gough, Gough & Hamer Limited | Director |
| | Sealord Group Limited | Alternate Director |
| | Sutton McCarthy Limited | Director |
| | Wool Partners International Limited | Director |
| | Wool Industry Network Limited | Director |
| | Wool Grower Holdings Limited | Director |

## Remuneration of directors

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

| Director name | Fees |
|---|---:|
| David Newman | $68,700 |
| Kevin Baker | $37,500 |
| Tim Brown | $42,500 |
| Steven Fitzgerald | $nil |
| Kerry Prendergast | $37,500 |
| Keith Sutton (appointed 1 January 2010) | $11,000 |
| Denis Thom (retired 31 December 2009) | $33,000 |

The directors received no other remuneration or benefits for services in that office or in any other capacity other than as disclosed in Notes 18 and 21.

## 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 Company has arranged policies of directors' and officers' liability insurance with cover appropriate for the Group's operations.

# STATUTORY INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2010

### 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 |
|---|---|
| $100,000 to $110,000 | 1 |
| $110,001 to $120,000 | 4 |
| $120,001 to $130,000 | 4 |
| $140,001 to $150,000 | 1 |
| $150,001 to $160,000 | 1 |
| $170,001 to $180,000 | 1 |
| $180,001 to $190,000 | 2 |
| $190,001 to $200,000 | 1 |
| $210,001 to $220,000 | 1 |
| $220,001 to $230,000 | 1 |
| $270,001 to $280,000 | 1 |
| $360,001 to $370,000 | 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 K Sutton (Chairman appointed on 11 February 2010), Mr K Baker 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 Group's:
  - financial reporting;
  - accounting policies;
  - financial management;
  - internal control system;
  - risk management system;
  - systems for protecting Group assets; and
  - compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial and 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.

## Other Committees

The Board has established a Treasury Committee comprising of three Directors, Mr T Brown (Chairman), Mr K Sutton 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.

## The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the annual report, interim report and media releases.

## 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 a separate Director Nomination Committee. The Company considers that it is properly dealing with these issues at the full Board level. Copies of the Company's Code of Ethics are available upon request of the company secretary.

## 2006 to 2010: FIVE YEAR SUMMARY

### WIAL AIRPORT STATISTICS

| Passenger Movements (000's) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Domestic | 4,491 | 4,645 | 4,416 | 4,060 | 4,007 |
| International | 627 | 611 | 603 | 575 | 565 |
| **Total** | **5,118** | **5,256** | **5,019** | **4,635** | **4,572** |

| Aircraft Movements | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Domestic | 84,708 | 88,856 | 93,670 | 93,950 | 92,886 |
| International | 5,476 | 5,554 | 5,270 | 5,678 | 5,848 |
| Military, freight, private and other movements | 12,834 | 15,268 | 12,330 | 11,474 | 15,404 |
| **Total** | **103,018** | **109,678** | **111,270** | **111,102** | **114,138** |

| Number of Employees | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| FTE | 84 | 78 | 77 | 73 | 71 |

### WIAL CONSOLIDATED FINANCIAL RESULTS

| Statement of Financial Position ($000's) | NZ IFRS | | | | NZ GAAP |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Non-current assets | 681,977 | 675,686 | 602,798 | 582,656 | 551,081 |
| Current assets | 44,880 | 77,834 | 16,338 | 15,317 | 10,707 |
| **Total assets** | **726,857** | **753,520** | **619,136** | **597,973** | **561,788** |
| Non-current liabilities | 330,225 | 333,638 | 264,072 | 203,168 | 180,049 |
| Current liabilities | 26,791 | 54,552 | 30,589 | 77,507 | 14,803 |
| **Total liabilities** | **357,016** | **388,190** | **294,661** | **280,675** | **194,852** |
| **Net assets/Shareholders' equity** | **369,841** | **365,330** | **324,475** | **317,298** | **366,936** |

| Number of Employees | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| FTE | 103 | 91 | 89 | 85 | 83 |

| Statement of Profit and Loss ($000's) | NZ IFRS | | | | NZ GAAP |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| **Operating revenue** | 104,646 | 96,060 | 88,376 | 76,493 | 66,422 |
| Operating expenses (excluding subvention payment) | 36,418 | 30,723 | 28,353 | 26,827 | 18,988 |
| **Operating earnings before interest, tax, depreciation and amortisation** | **68,228** | **65,337** | **60,023** | **49,666** | **47,434** |
| Investment property revaluation increase/(decrease) | (740) | (6,369) | 642 | 5,585 | - |
| Property, plant and equipment revaluation impairment | - | (946) | - | - | - |
| Change in value of financial instruments designated as fair value through profit or loss | (4,458) | 7,758 | - | - | - |
| Impairment loss and amortisation of intangibles | (1,040) | (2,060) | (1,593) | (2,594) | (1,266) |
| **Total earnings before interest, tax and depreciation** | **61,990** | **63,720** | **59,072** | **52,657** | **46,168** |
| Depreciation | (14,747) | (12,871) | (11,982) | (10,118) | (7,742) |
| **Earnings before interest and tax** | **47,243** | **50,849** | **47,090** | **42,539** | **38,426** |
| Net finance cost | (16,855) | (20,106) | (16,617) | (12,632) | (13,376) |
| Subvention payment | (23,675) | (23,287) | (18,679) | (19,405) | (19,427) |
| **Profit before taxation** | **6,713** | **7,456** | **11,794** | **10,502** | **5,623** |
| Taxation | 568 | (453) | (1,146) | (1,253) | (470) |
| **Profit after taxation** | **7,281** | **7,003** | **10,648** | **9,249** | **5,153** |
| Dividends | (7,068) | (7,185) | (5,643) | (5,643) | (5,917) |
| **Retained earnings/(deficit)** | **213** | **(182)** | **5,005** | **3,606** | **(764)** |

# Audit report

## To the shareholders of Wellington International Airport Limited

We have audited the financial statements on pages 6 to 34. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 11 to 16.

**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 2010 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 6 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 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 14 May 2010 and our unqualified opinion is expressed as at that date.

KPMG

Wellington