WELLINGTON INTERNATIONAL AIRPORT LIMITED (WIAL)

Consolidated Annual Report For the Year Ended 31 March 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting to shareholders their twenty-fourth annual report for Wellington International Airport Limited (WIAL) for the year ended 31 March 2014.

Directors

The Directors of WIAL during the year were:

- Timothy Brown, Chairman from 7 November 2013
- Peter Coman
- Steven Fitzgerald
- Keith Sutton
- Jason Boyes (appointed 15 November 2013)
- Celia Wade-Brown (appointed 2 December 2013)
- Ian McKinnon (resigned 7 October 2013)
- David Newman, Chairman (resigned 8 October 2013)

Company's Affairs and Nature of Business

WIAL provides airport facilities and services to various airlines and airport users. WIAL's wholly owned subsidiary, Wellington Airport Noise Treatment Limited (WANT Limited), provides noise mitigation activities to manage the impact of noise generated from the airport on the surrounding community. As a result WIAL comprises a group for financial reporting purposes and is required to prepare a consolidated report.

The Directors regard the state of the Company's affairs to be satisfactory.

The nature of the Company's business has not changed during the year.

Earnings After Subvention Payment and Dividends

Total revenue for the year was $110.9 million. The net profit after taxation amounted to $23.5 million after a $35.3 million subvention payment to a subsidiary of Infratil Limited.

During the year a dividend of $10.8 million was paid to Wellington City Council.

Retained Earnings Reserve

The total increase in equity for the year, being the total recognised revenues net of expenses less dividends paid was $12.6 million. The retained earnings reserve at 31 March 2014 totalled $97.4 million.

Revaluation Reserves

The total revaluation reserve at 31 March 2014 was $333.8 million.

Liabilities

The liabilities of WIAL are not guaranteed by the shareholders.

Auditors

KPMG remained the Company's auditors during the year.

On behalf of the Board.

Tim Brown

Timothy Brown
Chairman
8 May 2014

Keith Sutton
Director
8 May 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Consolidated 2014 $000	Consolidated 2013 $000	Parent 2014 $000	Parent 2013 $000
Landing and terminal charges		65,900	62,571	65,900	62,571
Property rent and lease income		11,277	10,839	11,277	10,839
Retail and trading activities		33,713	32,779	33,713	32,779
Total revenue		**110,890**	**106,189**	**110,890**	**106,189**
Operating expenses	4	(16,143)	(15,424)	(17,929)	(17,481)
Subvention payment	18	(35,330)	(29,982)	(35,330)	(29,982)
Employee remuneration and benefits		(8,715)	(7,825)	(8,715)	(7,825)
Total operating and other expenditure		**(60,188)**	**(53,231)**	**(61,974)**	**(55,288)**
Investment property revaluation net increase	11	511	4,698	511	4,698
Depreciation	10	(15,781)	(16,017)	(15,781)	(16,017)
Gain on sale of property, plant and equipment		118	602	118	602
Impairment of assets held for sale	12	(959)	(4,922)	-	-
Operating earnings before interest and financing expense		**34,591**	**37,319**	**33,764**	**40,184**
Interest income		1,311	147	1,594	273
Interest expense		(19,981)	(19,585)	(19,981)	(19,585)
Amortisation of fair value of ineffective hedges transferred from equity	14	-	(625)	-	(625)
Increase/(decrease) in value of financial instruments designated at fair value through profit or loss		10,168	(64)	10,168	(64)
Net financing expense		**(8,502)**	**(20,127)**	**(8,219)**	**(20,001)**
Net profit from continuing operations before taxation		**26,089**	**17,192**	**25,545**	**20,183**
Taxation expense	8	(2,634)	(946)	(2,481)	(1,785)
Total taxation expense		**(2,634)**	**(946)**	**(2,481)**	**(1,785)**
Net profit after taxation		**23,455**	**16,246**	**23,064**	**18,398**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Revaluation of property, plant and equipment		-	16,092	-	16,092
Revaluation release on sale of assets		-	(53)	-	(53)
Income tax relating to components of other comprehensive income that will not be reclassified		-	(4,491)	-	(4,491)
		-	**11,548**	**-**	**11,548**
Items that may be reclassified subsequently to profit or loss:					
Amortisation of fair value of ineffective hedges transferred to profit or loss		-	625	-	625
Income tax relating to components of other comprehensive income that may be reclassified		-	(174)	-	(174)
		-	**451**	**-**	**451**
Other comprehensive income, net of tax		**-**	**11,999**	**-**	**11,999**
Total comprehensive income		**23,455**	**28,245**	**23,064**	**30,397**

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 2014

Consolidated	Notes	Capital $000	Asset Revaluation Reserve $000	Hedge/other Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Group				
Balance as at 1 April 2013		9,050	333,829	57	84,752	427,688
Total comprehensive income						
Net profit		-	-	-	23,455	23,455
Total comprehensive income		**-**	**-**	**-**	**23,455**	**23,455**
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	45	-	45
Executive redeemable shares converted		-	-	(28)	-	(28)
Dividends to equity holders		-	-	-	(10,828)	(10,828)
Total contributions by and distributions to owners		**-**	**-**	**17**	**(10,828)**	**(10,811)**
Balance as at 31 March 2014	9	**9,050**	**333,829**	**74**	**97,379**	**440,332**

Consolidated	Notes	Capital $000	Asset Revaluation Reserve $000	Hedge/other Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Group				
Balance as at 1 April 2012		9,050	322,281	(405)	77,332	408,258
Total comprehensive income						
Net profit		-	-	-	16,246	16,246
Other comprehensive income						
Revaluation of property, plant and equipment, net of deferred taxation		-	11,586	-	-	11,586
Release revaluation reserve on sale of assets, net of tax		-	(38)	-	-	(38)
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of deferred taxation		-	-	451	-	451
Total other comprehensive income		**-**	**11,548**	**451**	**-**	**11,999**
Total comprehensive income		**-**	**11,548**	**451**	**16,246**	**28,245**
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	30	-	30
Executive redeemable shares converted		-	-	(19)	-	(19)
Dividends to equity holders		-	-	-	(8,826)	(8,826)
Total contributions by and distributions to owners		**-**	**-**	**11**	**(8,826)**	**(8,815)**
Balance as at 31 March 2013	9	**9,050**	**333,829**	**57**	**84,752**	**427,688**

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 2014

Parent	Notes	Capital $000	Asset Revaluation Reserve $000	Hedge/other Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Company				
Balance as at 1 April 2013		9,050	333,829	57	86,908	429,844
Total comprehensive income						
Net profit		-	-	-	23,064	23,064
Total comprehensive income		**-**	**-**	**-**	**23,064**	**23,064**
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	45	-	45
Executive redeemable shares converted		-		(28)		(28)
Dividends to equity holders		-	-	-	(10,828)	(10,828)
Total contributions by and distributions to owners		**-**	**-**	**17**	**(10,828)**	**(10,811)**
Balance as at 31 March 2014	9	**9,050**	**333,829**	**74**	**99,144**	**442,097**

Parent	Notes	Capital $000	Asset Revaluation Reserve $000	Hedge/other Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Company				
Balance as at 1 April 2012		9,050	322,281	(405)	77,336	408,262
Total comprehensive income						
Net profit		-	-	-	18,398	18,398
Other comprehensive income						
Revaluation of property, plant and equipment, net of deferred taxation		-	11,586	-	-	11,586
Release revaluation reserve on sale of assets, net of tax		-	(38)	-	-	(38)
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of deferred taxation		-	-	451	-	451
Total other comprehensive income		**-**	**11,548**	**451**	**-**	**11,999**
Total comprehensive income		**-**	**11,548**	**451**	**18,398**	**30,397**
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	30	-	30
Executive redeemable shares converted		-	-	(19)	-	(19)
Dividends to equity holders		-	-	-	(8,826)	(8,826)
Total contributions by and distributions to owners		**-**	**-**	**11**	**(8,826)**	**(8,815)**
Balance at 31 March 2013	9	**9,050**	**333,829**	**57**	**86,908**	**429,844**

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 2014

		Consolidated		Parent	
	Notes	**2014**	2013	**2014**	2013
		$000	$000	**$000**	$000
Cash and cash equivalents	7	28,927	5,725	28,809	5,128
Trade receivables	14	11,373	11,242	14,006	16,431
Prepayments and sundry receivables		2,548	1,722	2,517	1,722
Intercompany account		-	-	-	571
Assets held for sale	12	-	3	-	-
Current assets		**42,848**	**18,692**	**45,332**	**23,852**
Property, plant and equipment	10	739,097	739,467	739,097	739,467
Investment properties	11	59,980	54,622	59,980	54,622
Derivative financial instruments (asset)	14	401	-	401	-
Non current assets		**799,478**	**794,089**	**799,478**	**794,089**
Total assets		**842,326**	**812,781**	**844,810**	**817,941**
Trade and other payables		776	1,287	878	2,682
Taxation payable		14,967	13,744	15,327	14,409
Accruals and other liabilities		8,717	8,957	8,647	9,727
Accrued employee benefits	15	1,896	1,667	1,896	1,667
Retail bonds	6	-	99,785	-	99,785
Derivative financial instruments	14	-	106	-	106
Current liabilities		**26,356**	**125,546**	**26,748**	**128,376**
Retail and wholesale bonds	6	273,727	149,385	273,727	149,385
Deferred taxation liability	8	92,189	90,778	92,516	90,952
Derivative financial instruments	14	9,722	19,384	9,722	19,384
Non current liabilities		**375,638**	**259,547**	**375,965**	**259,721**
Attributable to shareholders of the Company		440,332	427,688	442,097	429,844
Total equity		**440,332**	**427,688**	**442,097**	**429,844**
Total equity and liabilities		**842,326**	**812,781**	**844,810**	**817,941**

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.

Timothy Brown
Chairman
8 May 2014

Keith Sutton
Director
8 May 2014

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Consolidated 2014 $000	Consolidated 2013 $000	Parent 2014 $000	Parent 2013 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		110,477	104,004	113,033	96,663
Interest received		1,311	147	1,594	147
		111,788	**104,151**	**114,627**	**96,810**
Cash was disbursed to:					
Payments to suppliers and employees		(26,006)	(23,056)	(29,322)	(21,236)
Subvention payment	18	(35,330)	(29,982)	(35,330)	(29,982)
Interest paid		(20,701)	(19,770)	(20,701)	(19,770)
		(82,037)	**(72,808)**	**(85,353)**	**(70,988)**
Net cash flows from operating activities	16	**29,751**	**31,343**	**29,274**	**25,822**
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		14	-	14	4,782
		14	**-**	**14**	**4,782**
Cash was disbursed to:					
Costs of disposal of assets held for sale		(956)	(53)	-	-
Purchase of property, plant and equipment		(19,779)	(12,470)	(19,779)	(12,381)
		(20,735)	(12,523)	(19,779)	(12,381)
Net cash flows from investing activities		**(20,721)**	**(12,523)**	**(19,765)**	**(7,599)**
Cash flows from financing activities					
Cash was provided from:					
Drawdown of loans and borrowings	5	31,000	20,000	31,000	20,000
Issue of bonds	6	125,000	-	125,000	-
		156,000	**20,000**	**156,000**	**20,000**
Cash was disbursed to:					
Repayment of matured bonds	6	(100,000)	-	(100,000)	-
Repayment of loans and borrowings	5	(31,000)	(27,000)	(31,000)	(27,000)
Dividends paid	18	(10,828)	(8,826)	(10,828)	(8,826)
		(141,828)	**(35,826)**	**(141,828)**	**(35,826)**
Net cash flows from financing activities		**14,172**	**(15,826)**	**14,172**	**(15,826)**
Net increase in cash and cash equivalents		23,202	2,994	23,681	2,397
Cash and cash equivalents balance at the beginning of the year		5,725	2,731	5,128	2,731
Cash and cash equivalents balance at the end of the year		**28,927**	**5,725**	**28,809**	**5,128**

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 2014

(1) Accounting policies

(a) Reporting entity
Wellington International Airport Limited ("WIAL" and/or the "Company") is a profit orientated 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 consolidated financial statements comprise the Company and Wellington Airport Noise Treatment Limited ("WANT Limited"), its subsidiary, (the "Group").

The financial statements of the Group are for the year ended 31 March 2014. The financial statements were approved by the Board of Directors on 8 May 2014.

(b) Basis of preparation

(i) Statement of compliance

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 also comply with IFRS.

The financial statements for WIAL are presented as at and for the year ended 31 March 2014.

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 (c), investment properties in accordance with accounting policy (d) and financial derivatives in accordance with accounting policy (i).

These financial statements are presented in New Zealand Dollars which is the Group's functional currency. Where indicated values are rounded to the nearest thousand dollars ($000).

(ii) Significant accounting estimates and judgments
The preparation of financial statements conform with NZIFRS which 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 where WIAL does not have the internal expertise. The basis of the valuations include assessment of the net present value of the future earnings of the assets, the optimised 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. 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 in the latest revaluation undertaken and the key assumptions and inputs are disclosed in Note 10.

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, the valuation methodology applied and the key assumptions and inputs are disclosed in Note 11.

Derivatives
Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss. 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. Derivative valuations are based on market information and prices. The carrying value of derivatives, the valuation methodology applied and the key assumptions and inputs are disclosed in Note 14.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost 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. Impairment losses are charged to profit or loss.

Property, plant and equipment that are revalued, are revalued to their fair value determined by an independent valuation or by management using recognised valuation techniques. Where the assets are of a specialised nature and do not have observable market values in their existing use, optimised depreciated replacement cost is used as the basis of the valuation. 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 assets are measured at fair value. An independent valuer is engaged to provide a valuation if management does not have sufficient expertise to perform the valuation. 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 assets 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 assets 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 assets 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 which may include capitalised interest where appropriate.

Land is not depreciated. Depreciation is calculated systematically on a straight-line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life. The useful lives are as follows:

Building ancillary services	5 – 30 years
Buildings	20 – 60 years
Civil works	5 – 80 years
Vehicles, plant and equipment	3 – 20 years

Individual assets' remaining useful lives and residual values are assessed at least annually and depreciation is calculated on a basis consistent with those parameters.

(d) 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 properties are 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.

(e) Capital work in progress

The cost associated with the building of an item of property, plant and equipment or investment property is treated as capital work in progress. These costs are transferred to the relevant item of property, plant and equipment or investment property class when the asset is ready for use as intended by management.

(f) 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.

(g) 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.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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.

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 or in other comprehensive income, in which case the deferred tax or current tax is also recognised directly in equity or in other comprehensive income.

(i) Derivative financial instruments
The Group is a party to derivative financial instruments as part of its day to day operating activities. When appropriate, the Group enters into agreements to manage its interest rate and foreign exchange risk. In accordance with the Group's risk management policies, the Group does not hold or issue derivative financial instruments for speculative purposes. 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 fair value at the date they are entered into. Subsequent to initial recognition, derivative financial instruments are remeasured to their fair value at each reporting date. 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 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) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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.

(k) 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.

(l) Borrowings
Borrowings are recorded at amortised cost. Fees and other costs incurred in raising debt finance are capitalised and amortised over the term of the relevant debt instrument or debt facility.

(m) 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
Airfield income, passenger service charges and terminal service charges are recognised as revenue when the passenger travels or the airport facilities are used.

Rental revenue
Rental revenue 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 rental revenue and are amortised over the expected remaining life of the lease.

Retail and trading activities
Retail concession fees are recognised as revenue on an accrual basis in accordance with the agreements.

Revenue from car parks is recognised once the service is delivered.

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

(n) 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.

(o) Segmental reporting

The Group 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 Group has determined that one segment exists for the airport and airport related operations including investment properties.

(p) New standards and interpretations

The Group has adopted NZ IFRS 13 - Fair Value Measurement with a date of initial application of 1 April 2013. NZ IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance which was previously dispersed throughout the suite of NZ IFRS standards. NZ IFRS 13 is applied when fair value measurement is permitted or required by other NZ IFRS standards. The adoption of NZ IFRS 13 did not have a material effect on the financial statements of the Group.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2014, but have not been applied in preparing these financial statements. None of these is expected to have a material effect on the financial statements of the Group, with the exception of NZ IFRS 9 - Financial Instruments (NZ IFRS 9).

NZ IFRS 9 could change the classification and measurement of the Group's financial assets and change the impact of applying hedge accounting, if any. The extent of the impact of this standard has not yet been determined.

It has not yet been established when NZ IFRS 9 is likely to come into effect and it has not been early adopted by the Group.

(q) Changes in accounting policies

There have been no changes in accounting policies during the year other than the adoption of the new standards, amendments to standards and interpretations as noted in accounting policy (p).

(2) Nature of business

The Group operates in Wellington providing integrated airport and commercial facilities and services to various airlines and other airport users. A commercial retail park adjacent to the airport site is available to the public. Revenues include landing and terminal charges, property leases, retail and trading income. WANT Limited, the Company's wholly owned subsidiary, provides noise mitigation activities to manage the impact of noise generated from the airport on the surrounding community. The Company is a limited liability company incorporated and domiciled in New Zealand.

The Land Use Management and Insulation for Airport Noise Study was undertaken by WIAL in conjunction with its airlines, Board of Airline Representatives New Zealand Inc, Wellington City Council and the local Air Noise Management Committee in order to fulfil WIAL's obligations arising from Environment Court proceedings in 1997. The work identified from this study includes the acquisition and removal of noise affected houses and the provision of noise mitigation and insulation activities for others. WIAL commenced charging the airlines operating at Wellington Airport for these activities from 1 April 2012 and this charge is currently approximately 40 cents per passenger. These charges and noise mitigation activities are managed in WANT Limited, a wholly owned subsidiary of WIAL. WANT Limited has forecast that it will have predominantly concluded the noise management activities by the end of the financial year ending 31 March 2022 and it is expected that the charges will recover the noise mitigation costs and breakeven over the period from 1 April 2012 to 31 March 2022.

(3) Reconciliation of Earnings before Interest, Taxation, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Realisations and Impairments, Subvention payments and Investment property revaluations (EBITDAF before subvention payment)

The Group's EBITDAF before subvention payment is presented to provide further information on the operating performance of the Group. EBITDAF before subvention payment is a useful non-GAAP financial measure as it shows the contribution to earnings prior to non-cash items such as depreciation and amortisation and fair value adjustments, and before the cost of financing, subvention payments and taxation. It is calculated by adjusting net profit after taxation for the year for subvention payments and for items that are non-operating such as interest, taxation, depreciation, revaluations and impairments.

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Net profit after taxation	**23,455**	**16,246**	**23,064**	**18,398**
Subvention payment	35,330	29,982	35,330	29,982
Net interest expense	18,670	19,438	18,387	19,312
Taxation expense	2,634	946	2,481	1,785
Depreciation	15,781	16,017	15,781	16,017
Investment property revaluation net increase	(511)	(4,698)	(511)	(4,698)
Gain on sale of property, plant and equipment	(118)	(602)	(118)	(602)
Loss on recognition of assets held for sale	959	4,922	-	-
Amortisation of fair value of ineffective hedges transferred from equity	-	625	-	625
(Increase)/decrease in value of financial instruments designated at fair value through profit or loss	(10,168)	64	(10,168)	64
EBITDAF before subvention payment	**86,032**	**82,940**	**84,246**	**80,883**

(4) Operating expenses

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Fees paid to auditors:				
Audit of statutory financial statements	90	92	86	92
Taxation services	17	5	17	5
Other assurance services	25	14	25	14
Donations	-	4	-	4
Directors' fees	328	320	328	320
Regulatory compliance and statutory consultation	436	878	436	878
Marketing and development	1,439	1,150	1,439	1,150
Cleaning and energy	1,858	1,887	1,858	1,887
Rates	1,951	1,965	1,950	1,965
Insurance	2,031	2,343	2,031	2,343
Repairs and maintenance	2,506	1,541	2,506	1,541
Operating lease expenses	805	818	805	818
Administration and other expenses	4,657	4,407	6,448	6,464
Total operating expenses	**16,143**	**15,424**	**17,929**	**17,481**

Taxation services relate to tax compliance work. Other assurance services comprise fees paid in relation to the audit of the Company's annual regulatory Information Disclosures and review of the airline pricing consultation model.

(5) Bank interest-bearing loans and borrowings

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

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Facilities not utilised at reporting date				
Unsecured bank credit facilities	90,000	90,000	90,000	90,000

Financing arrangements

The Group's debt includes bank facilities with a negative pledge arrangement, which with limited exceptions do not permit the borrower to grant any security over its assets. The bank facilities require the borrower to maintain certain levels of shareholder funds and operate within defined performance and gearing ratios. The banking arrangements also include restrictions over the sale or disposal of certain assets. The Group has complied with all its debt covenant requirements during the year.

Standby facilities

At year end, the Group had unsecured bank debt facilities of $90.0 million (2013: $90.0 million) of which $60.0 million expires in June 2014 and $30.0 million expires in June 2016. Interest rates were determined by reference to prevailing money market rates plus a margin. Interest rates paid during the period ranged from 3.32% to 3.46% (2013: 3.29% to 3.39%).

(6) Bonds

	Consolidated 2014 $000	Consolidated 2013 $000	Parent 2014 $000	Parent 2013 $000
Current				
Retail bonds maturing November 2013, fixed 7.50% p.a.	-	100,000	-	100,000
Less transaction costs from issue still to be expensed	-	(215)	-	(215)
Total current bonds	**-**	**99,785**	**-**	**99,785**
Non current				
Wholesale bonds maturing August 2017, 3.12% per annum to 1 May 2014, then repriced quarterly at BKBM plus 25bp	150,000	150,000	150,000	150,000
Wholesale bonds maturing June 2019, 4.39% per annum to 17 June 2014, then repriced quarterly at BKBM plus 130bp	25,000	-	25,000	-
Wholesale bonds maturing June 2020, fixed 5.27% p.a.	25,000	-	25,000	-
Retail bonds maturing May 2021, fixed 6.25% p.a.	75,000	-	75,000	-
Less transaction costs from issue still to be expensed	(1,273)	(615)	(1,273)	(615)
Total non current bonds	**273,727**	**149,385**	**273,727**	**149,385**
Balance at the end of the year	**273,727**	**249,170**	**273,727**	**249,170**

At 31 March 2014, the bonds had a fair value of $274.7 million (2013: $254.6 million).

The Trust Deeds for the bonds require the Group to operate within defined performance and debt gearing ratios. The arrangements under the Trust Deeds create restrictions over the sale or disposal of certain assets. The Group complied with its debt covenant requirements during the year.

(7) Cash and cash equivalents

	Consolidated 2014 $000	Consolidated 2013 $000	Parent 2014 $000	Parent 2013 $000
Bank and cash balances	1,027	1,325	909	728
Call and short term deposits	27,900	4,400	27,900	4,400
Total cash and cash equivalents	**28,927**	**5,725**	**28,809**	**5,128**

(8) Taxation

	Consolidated 2014 $000	Consolidated 2013 $000	Parent 2014 $000	Parent 2013 $000
Net profit before taxation	26,089	17,192	25,545	20,183
Taxation for the year at 28% (2013: 28%)	7,305	4,812	7,152	5,651
Subvention payment made in respect to prior period	9,892	8,395	9,892	8,395
Taxation effect on non deductible expenses	(38)	870	(38)	870
Loss offset	(4,419)	(4,454)	(4,419)	(4,454)
Over provision in prior years	(10,106)	(8,677)	(10,106)	(8,677)
Taxation expense	**2,634**	**946**	**2,481**	**1,785**
Current taxation	1,223	744	917	1,409
Deferred taxation	1,411	202	1,564	376
Taxation expense	**2,634**	**946**	**2,481**	**1,785**

Income tax recognised in other comprehensive income

	2014			2013		
Consolidated	**Before tax $000**	**Tax (expense)/ income $000**	**Net of tax $000**	Before tax $000	Tax (expense)/ income $000	Net of tax $000
Amortisation of fair value of ineffective hedges transferred to profit or loss	-	-	-	625	(174)	451
Net change in fair value of property, plant and equipment recognised directly in equity	-	-	-	16,093	(4,507)	11,586
Net change on sale of assets recognised directly in equity	-	-	-	(53)	15	(38)
Total for the year	**-**	**-**	**-**	**16,665**	**(4,666)**	**11,999**

(8) Taxation (continued)

Income tax recognised in other comprehensive income

Parent	**2014** Before tax $000	**2014** Tax (expense)/ income $000	**2014** Net of tax $000	2013 Before tax $000	2013 Tax (expense)/ income $000	2013 Net of tax $000
Amortisation of fair value of ineffective hedges transferred to profit or loss	-	-	-	625	(174)	451
Net change in fair value of property, plant and equipment recognised directly in equity	-	-	-	16,093	(4,507)	11,586
Net change on sale of assets recognised directly in equity	-	-	-	(53)	15	(38)
Total for the year	**-**	**-**	**-**	**16,665**	**(4,666)**	**11,999**

Deferred tax

	Consolidated		**Parent**	
	2014 $000	2013 $000	**2014 $000**	2013 $000
Balance at the beginning of the year	90,778	85,910	90,952	85,910
Expense for the year	1,411	202	1,564	376
Deferred tax recognised directly in equity	-	4,666	-	4,666
Balance at the end of the year	**92,189**	**90,778**	**92,516**	**90,952**

Recognised deferred tax assets and liabilities

Consolidated	**2014** Assets $000	**2014** Liabilities $000	**2014** Net $000	2013 Assets $000	2013 Liabilities $000	2013 Net $000
Property, plant and equipment	-	(87,961)	(87,961)	-	(89,899)	(89,899)
Investment properties	-	(8,076)	(8,076)	-	(7,578)	(7,578)
Assets held for sale	327	-	327	174	-	174
Derivatives	3,547	-	3,547	6,409	-	6,409
Employee benefits accrued	149	-	149	146	-	146
Other items	-	(175)	(175)	-	(30)	(30)
Net tax (liabilities)/assets	**4,023**	**(96,212)**	**(92,189)**	**6,729**	**(97,507)**	**(90,778)**

Parent	**2014** Assets $000	**2014** Liabilities $000	**2014** Net $000	2013 Assets $000	2013 Liabilities $000	2013 Net $000
Property, plant and equipment	-	(87,961)	(87,961)	-	(89,899)	(89,899)
Investment properties	-	(8,076)	(8,076)	-	(7,578)	(7,578)
Derivatives	3,547	-	3,547	6,409	-	6,409
Employee benefits accrued	149	-	149	146	-	146
Other items	-	(175)	(175)	-	(30)	(30)
Net tax (liabilities)/assets	**3,696**	**(96,212)**	**(92,516)**	**6,555**	**(97,507)**	**(90,952)**

(8) Taxation (continued)

Movement in temporary differences during the year

Consolidated	Balance 31/3/12 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/13 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/14 $000
Assets:							
Property, plant and equipment	(87,612)	2,204	(4,491)	(89,899)	1,938	-	(87,961)
Investment properties	(4,958)	(2,620)		(7,578)	(498)		(8,076)
Assets held for sale		174		174	153		327
Other items	(28)	(10)		(38)	38		-
Liabilities:							
Employee benefits accrued	252	(106)		146	3		149
Derivatives	6,430	153	(174)	6,409	(2,862)	-	3,547
Other items	6	2		8	(183)		(175)
	(85,910)	**(203)**	**(4,665)**	**(90,778)**	**(1,411)**	**-**	**(92,189)**

Parent	Balance 31/3/12 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/13 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/14 $000
Assets:							
Property, plant and equipment	(87,612)	2,204	(4,491)	(89,899)	1,938	-	(87,961)
Investment properties	(4,958)	(2,620)		(7,578)	(498)		(8,076)
Other items	(28)	(10)		(38)	38		-
Liabilities:							
Employee benefits accrued	252	(106)		146	3		149
Derivatives	6,430	153	(174)	6,409	(2,862)	-	3,547
Other items	6	2		8	(183)		(175)
	(85,910)	**(377)**	**(4,665)**	**(90,952)**	**(1,564)**	**-**	**(92,516)**

Imputation credit account	**Consolidated 2014 $000**	Consolidated 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Imputation credits for use in subsequent reporting periods	1	1	1	1

(9) Capital

	Consolidated 2014 $000	Consolidated 2013 $000	**Parent 2014 $000**	Parent 2013 $000
Represented by:				
Total issued capital at the beginning and end of the year 40,155,942 ordinary shares	9,050	9,050	9,050	9,050
Balance at the end of the year	**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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2014

(10) Property, plant and equipment

Consolidated and Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	at fair value $000	at fair value $000	at fair value $000	at cost $000	at cost $000	$000
March 2014						
Cost or valuation						
Balance at 1 April 2013	289,701	147,736	305,659	35,128	9,021	787,245
Additions	581	-	161	4,159	15,563	20,464
Transfer from capital work in progress	-	4,142	4,085	1,602	(9,829)	-
Transfer from capital work in progress to investment properties	-	-	-	-	(4,281)	(4,281)
Transfer from property, plant and equipment assets to investment properties	(152)	-	(350)	(64)	-	(566)
Disposals	-	(4)	(232)	(1,056)	-	(1,292)
Balance at 31 March 2014	**290,130**	**151,874**	**309,323**	**39,769**	**10,474**	**801,570**
Accumulated depreciation and impairment losses						
Balance at 1 April 2013	-	12,063	15,151	20,564	-	47,778
Depreciation for the year	-	4,998	7,568	3,215	-	15,781
Disposals	-	(2)	(60)	(1,024)	-	(1,086)
Balance at 31 March 2014	**-**	**17,059**	**22,659**	**22,755**	**-**	**62,473**
Net book value at 31 March 2014	**290,130**	**134,815**	**286,664**	**17,014**	**10,474**	**739,097**

Consolidated and Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	at fair value $000	at fair value $000	at fair value $000	at cost $000	at cost $000	$000
March 2013						
Cost or valuation						
Balance at 1 April 2012	289,231	146,971	291,087	33,671	2,719	763,679
Additions	470	418	2,500	1,255	7,483	12,126
Transfer from capital work in progress	-	483	403	295	(1,181)	-
Transfer from property, plant and equipment assets to investment properties	-	-	(64)	(5)	-	(69)
Disposals	-	(136)	(4,361)	(88)	-	(4,585)
Movements in asset revaluation through other comprehensive income	-	-	16,094	-	-	16,094
Balance at 31 March 2013	**289,701**	**147,736**	**305,659**	**35,128**	**9,021**	**787,245**
Accumulated depreciation and impairment losses						
Balance at 1 April 2012	-	6,465	7,672	17,894	-	32,031
Depreciation for the year	-	5,661	7,611	2,745	-	16,017
Disposals	-	(63)	(132)	(75)	-	(270)
Balance at 31 March 2013	**-**	**12,063**	**15,151**	**20,564**	**-**	**47,778**
Net book value at March 2013	**289,701**	**135,673**	**290,508**	**14,564**	**9,021**	**739,467**

Revalued assets at deemed cost

Consolidated and Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
March 2014	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cost	86,204	123,066	232,584	35,150	9,021	486,025
Additions	581	-	161	4,159	15,563	20,464
Transfer to investment properties	(152)	-	(350)	(64)	-	(566)
Increase/(decrease) in assets under construction during the year	-	4,142	4,085	1,602	(14,110)	(4,281)
Disposals	-	(2)	(20)	(32)	-	(54)
Less accumulated depreciation	-	(34,365)	(58,915)	(23,908)	-	(117,188)
Net book value at 31 March 2014	**86,633**	**92,841**	**177,545**	**16,907**	**10,474**	**384,400**
March 2013						
Cost	85,734	122,311	234,017	33,694	2,719	478,475
Additions	470	418	2,500	1,255	7,483	12,126
Transfer to investment properties	-	-	(64)	(5)	-	(69)
Increase/(decrease) in assets under construction during the year	-	483	403	295	(1,181)	-
Disposals	-	(141)	(3,803)	(89)	-	(4,033)
Less accumulated depreciation	-	(31,631)	(53,070)	(20,716)	-	(105,417)
Net book value at March 2013	**86,204**	**91,440**	**179,983**	**14,434**	**9,021**	**381,082**

(10) Property, plant and equipment (continued)

Land was last revalued as at 31 March 2012 by independent valuers Telfer Young Limited, in accordance with the New Zealand Institute of Valuers asset valuation standard (fair value $289.2 million). The Directors are satisfied that there has not been a material movement in the fair value as at 31 March 2014.

All buildings and civil assets were last revalued as at 31 March 2011 in accordance with the New Zealand Institute of Valuers Asset Valuation Standards. The valuation was undertaken by independent registered valuers, Telfer Young Limited for buildings (fair value $268.7 million), and Opus International Consultants Limited for civil assets (fair value $142.7 million). The Directors are satisfied that there has not been a material movement in the fair value as at 31 March 2014.

As at 31 March 2014 the Company performed a discounted cash flow analysis to confirm that there had been no material movements in the value of the vehicle business assets within the building assets category and that the carrying value still represented the fair value of the asset. The discounted cash flow analysis showed that there was no material change in the value of the vehicle business assets within the buildings asset category.

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, optimised depreciated replacement cost is used as the basis of the valuation. 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, and categorises each fair value measurement within the 'fair value hierarchy' described in note 14 (d), based on the lowest level input that is significant to the fair value measurement as a whole.

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy level	+ / - 5% Valuation Impact
Land				
Aeronautical land - used for airport activities and specialised aeronautical assets Non-aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business	Market value existing use approach - comprising market value alternative use valuation plus development and holding costs to provide land suitable for airport use The development and holding costs are derived by the valuer using assumptions regarding the discount rate, holding period and direct costs of holding the land for conversion to airport use. The valuer makes use of expert advice from Sapere Research Group in relation to the discount rate used. These inputs are deemed unobservable.	Adopted rate per hectare prior to holding costs $1.37 million per ha Discount rate 12.88% Holding period 5 years	3	+/ - $21.1 million (of a 5% change in discount rate)
Residential land	Residential land is valued at rateable value	-	1	-
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 - the cost of constructing a modern equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation) and any sub-optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.	Average cost rates including concrete $740 per m3, asphalt $833 per m3, base course $83 per m3 and foundations $15 per m3	3	+ / - $6.8 million (of a 5% change in cost estimate)
Buildings				
Specialised buildings used for identified airport activities	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Civil above.	Modern equivalent asset rates ranging from $175 to $5,000 per m2, with a weighted average of $4,050 per m2	3	+ / - $9.3 million (of a 5% change in cost estimate)
Buildings other than for identified airport activities, including space allocated within the main terminal building for retail activities, offices and storage that exist because of the airport activities	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Civil above.	Modern equivalent asset rates ranging from $550 to $1,900 per m2, with a weighted average of $1,364 per m2		

(10) Property, plant and equipment (continued)

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy level	+ / - 5% Valuation Impact
Vehicle business assets				
Assets associated with car parking and taxi, shuttle and bus services (excluding land)	Discounted cash flow valuation performed by management and based on: - Internal management information such as forecast future revenues, costs and capital expenditure. This information is derived from WIAL's financial and car park management systems and is subject to WIAL's overall control environment. - Assumptions such as the discount rate. These are based on management's judgement and arrived at in consultation with external experts. Both the internal management information and the discount rate are deemed to be unobservable inputs.	Revenue growth 3% per annum Cost growth 3% per annum Discount rate 13%	3	+ / - $2.8 million (of a 5% change in discount rate)
Vehicles, plant and equipment				
Vehicles, plant and equipment comprises a mixture of specialised and non-specialised assets	Not applicable - measured at cost.	-	-	-

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the year ended 31 March 2014 (2013: none).

Level 3 Asset Classification	Sensitivity of significant unobservable inputs
Land	The critical elements in establishing the market value existing use valuation of land is the opportunity cost of capital over the holding period, and the adopted rate per hectare. - An increase in the adopted rate per hectare will increase the fair value - An increase in the discount rate will increase the fair value - An increase in the holding period will increase the fair value
Civil	The critical elements in establishing the fair value of civil assets is the movement in the average cost rates for concrete, asphalt, base course and foundations, as well as the estimated remaining useful life of the assets. - An increase to any of the average cost rates listed above will increase the fair value - A reduction in the estimated remaining useful life of the assets will reduce the fair value
Buildings (other than Vehicle assets)	The key inputs in establishing the fair value of buildings (other than vehicle assets) are the estimate of the remaining useful life and the modern equivalent asset rate. - An increase to the modern equivalent asset rate will increase the fair value - A decrease in the estimated remaining useful life will decrease the fair value
Vehicle assets	The key inputs to the fair value of vehicle assets, and their impact on the resulting valuation are: - A decrease in the assumed revenue growth will decrease the fair value - An increase in the assumed cost growth will decrease the fair value - An increase in the discount rate used for the discounted cash flow method will decrease the fair value

Capital work in progress

For the year ended 31 March 2014, capitalised borrowing costs relating to capital work in progress amounted to $0.4 million (2013: $0.1 million), with an average capitalisation rate of 6.70% (2013: 6.75%).

(11) Investment properties

	Consolidated and Parent	
	2014	2013
	$000	$000
Balance at the beginning of the year	54,622	49,855
Transfer from capital work in progress to investment properties	4,281	-
Transfer from property, plant and equipment assets to investment properties	566	69
Investment properties revaluation net increase	511	4,698
Balance at the end of the year	**59,980**	**54,622**

Investment properties are valued at fair value annually or when there has been a material change, based on independent valuations undertaken by registered valuers, Telfer Young Limited. It was confirmed by Telfer Young Limited that there was a material net change in value as at 31 March 2014 and this has been recorded. Fair values are based on market values, being the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. 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 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 discounted cash flow valuations are based on both:
- Information provided by WIAL management such as net contract income and lease term. WIAL provided the valuer with information on rental incomes and directly associated expenses from the underlying accounting records. Information on lease terms is derived from WIAL's property management system.
- Assumptions and valuation models used by the valuer. These assumptions are typically market related, such as the capitalisation rate. These are based on the valuer's professional judgement and market observation.

All input information provided is subject to WIAL's overall control environment.

The inputs described above are deemed unobservable, and therefore investment properties are classified as Level 3 in the fair value hierarchy.

The principal assumptions used in establishing the valuations were as follows (expressed as weighted averages):

	31 March 2014	31 March 2013
Discount rate	9.83%	10.83%
Capitalisation rate	8.41%	8.68%
Average lease term (years)	4.2	3.3

The impact of the unobservable inputs to the discounted cash flow valuation of investment properties is:
- An increase in the discount rate will decrease the fair value.
- An increase in the capitalisation rate will decrease the fair value.
- A decrease in the average lease term will ordinarily decrease the fair value.

	Consolidated and Parent	
	2014	2013
	$000	$000
Amounts recognised in profit or loss (excluding revaluations):		
Rental income from investment properties	5,005	4,690
Direct operating expenses arising from investment properties that generate income	(1,109)	(1,247)
Total amounts recognised in profit or loss (excluding revaluations):	**3,896**	**3,443**

(12) Assets held for sale

In May 2012, the Company announced plans to ensure that the impact of aircraft noise at the airport continues to be managed effectively in the future. Residential houses owned by the Group adjacent to the airport boundary have been identified for removal. These houses are being removed and were classified as held for sale and written down to their recoverable amount as at 31 March 2014.

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Assets held for sale				
Assets transferred at fair value from property, plant and equipment	-	4,869	-	-
Assets acquired for WANT noise management programme	721	-	-	-
Less write down to recoverable amount	(721)	(4,835)	-	-
Less houses removed	-	(31)	-	-
Total assets held for sale	**-**	**3**	**-**	**-**
Impairment of assets held for sale				
Assets transferred at fair value from property, plant and equipment	-	4,869	-	-
Assets acquired for WANT noise management programme	721	-	-	-
Disposal costs	238	53	-	-
Total impairment of assets held for sale	**959**	**4,922**	**-**	**-**

(13) Investment in subsidiary

The Company held shares in the following operating companies:

Subsidiary	Balance Date	2014 Holding	2013 Holding	Principle activity	Country of incorporation
WANT Limited	31 March	100%	100%	Noise mitigation	New Zealand

WANT Limited commenced trading on 1 April 2012.

(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 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 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 counterparties approved under the Company's Treasury Policy. At 31 March 2014 cash was held solely with ANZ Bank New Zealand Limited. 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. At 31 March 2014, 78% of trade receivables were due from ten customers (2013: 88%).

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 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. In addition, covenant levels are monitored and reported on to the Board, banks and the bond trustee.

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 or entering into interest rate swaps to convert floating rate exposures to fixed rate exposure. Also included is foreign exchange risk which is the risk of the foreign exchange rate volatility negatively affecting the Group's foreign exchange cash flow and earnings. The Group mitigates this risk by entering into forward exchange rate contracts to hedge foreign currency exposures, where appropriate.

(14) Financial instruments (continued)

(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	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Bank	28,894	5,645	28,775	5,048
Trade receivables	11,373	11,242	14,006	16,431
Bank and trade receivables	**40,267**	**16,887**	**42,781**	**21,479**

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

The ageing of trade receivables at the end of the year were:

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Current	10,654	9,845	13,287	10,559
Overdue 0-30 days	562	1,075	562	3,120
Overdue 31-90 days	64	191	64	219
91 days and over	93	131	93	2,533
Total	**11,373**	**11,242**	**14,006**	**16,431**

(b) Market risk

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. As at 31 March 2014 the Group has covered 100% of its wholesale bond exposure to floating interest rates with fixed rate swaps (2013: 100%) matching with the full term of the loans. The average effective interest rate for the interest rate swaps during the year ended 31 March 2014 was 6.22% (2013: 6.72%). At balance date the interest rate contracts outstanding were:

	Consolidated and Parent	
	2014	2013
	$000	$000
Interest rate swaps notional value	175,000	150,000
Fair value of interest rate swaps	(9,321)	(19,384)
Maturity analysis		
Between 2 to 5 years	150,000	150,000
More than five years	25,000	-

Foreign exchange risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than New Zealand Dollars (NZD). The currencies in which transactions are primarily denominated are NZD, USD, GBP and EUR.

	Consolidated and Parent	
	2014	2013
	$000	$000
Forward foreign exchange contracts notional value	-	2,882
Fair value of forward foreign exchange contracts	-	(106)
Maturity analysis		
Between 0 to 1 year	-	2,882

The Group has minimal exposure to foreign exchange risk, with few supplier payments denominated in a currency other than New Zealand Dollars.

Consolidated and Parent	**2014**		2013	
	GBP	**EUR**	GBP	EUR
	£000	**€000**	£000	€000
Foreign currency forward contracts	-	-	500	1,195
Net statement of financial position exposure	-	-	500	1,195

(14) Financial instruments (continued)

(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 for the year to 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			
	2014		2013	
Consolidated and parent	**100 bp increase $000**	**100 bp decrease $000**	100 bp increase $000	100 bp decrease $000
Wholesale bonds - variable rate instruments	(1,750)	1,750	(1,500)	1,500
Interest rate swaps	7,367	(7,367)	6,227	(6,513)
Net profit and loss sensitivity	**5,617**	**(5,617)**	**4,727**	**(5,013)**

(d) Fair values

Financial instruments consist of Cash and cash equivalents, Trade receivables, Trade and other payables, Retail and wholesale bonds and Derivative financial instruments. The fair value of interest rate swaps and forward exchange contracts are detailed in Note 14(b). The fair value of all other financial instruments are represented by their carrying value except for the Retail bonds which are represented by their NZDX quoted value. The Group's Retail bonds are not carried at fair value, but the fair value is disclosed in note 14(d). The fair value of Retail bonds is classified as Level 1, as it is based on a quoted market price. These fair values are considered to be Level 1 as the values are directly observable.

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the year ended 31 March 2014 (2013: none)

Consolidated	**Loans & receivables $000**	**Fair value through profit and loss $000**	**Liabilities at amortised cost $000**	**Total carrying amount $000**	**Fair value $000**
At 31 March 2014					
Assets					
Cash and cash equivalents	28,927	-	-	28,927	28,927
Trade receivables	11,373	-	-	11,373	11,373
Derivative financial instruments - interest rate swaps	-	401	-	401	401
Total assets	**40,300**	**401**	**-**	**40,701**	**40,701**
Liabilities					
Trade and other payables	-	-	776	776	776
Loans and borrowings					
Retail bonds	-	-	74,240	74,240	75,183
Wholesale bonds	-	-	199,487	199,487	199,487
Derivative financial instruments - interest rate swaps	-	9,722	-	9,722	9,722
Total liabilities	**-**	**9,722**	**274,503**	**284,225**	**285,168**
At 31 March 2013					
Assets					
Cash and cash equivalents	5,725	-	-	5,725	5,725
Trade receivables	11,242	-	-	11,242	11,242
Total assets	16,967	-	-	16,967	16,967
Liabilities					
Trade and other payables	-	-	1,287	1,287	1,287
Unsecured bank facilities	-	-	-	-	-
Loans and borrowings					
Retail bonds	-	-	99,785	99,785	99,785
Wholesale bonds	-	-	149,385	149,385	149,385
Derivative financial instruments - interest rate swaps	-	19,384	-	19,384	19,384
Derivative financial instruments - forward exchange contracts	-	106	-	106	-
Total liabilities	-	19,490	250,457	269,947	269,841

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 market-quoted rates based on discounted cash flow analysis,

• The fair value of the wholesale bonds is approximated by cost as they are repriced quarterly,

• 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	Loans & receivables $000	Fair value through profit and loss $000	Liabilities at amortised cost $000	Total carrying amount $000	Fair value $000
At 31 March 2014					
Assets					
Cash and cash equivalents	28,809	-	-	28,809	28,809
Trade receivables	14,006	-	-	14,006	14,006
Derivative financial instruments - interest rate swaps	-	401	-	401	401
Total assets	**42,815**	**401**	**-**	**43,216**	**43,216**
Liabilities					
Trade and other payables	-	-	878	878	878
Loans and borrowings					
Retail bonds	-	-	74,240	74,240	75,183
Wholesale bonds	-	-	199,487	199,487	199,487
Derivative financial instruments - interest rate swaps	-	9,722	-	9,722	9,722
Total liabilities	**-**	**9,722**	**274,605**	**284,327**	**285,270**
At 31 March 2013					
Assets					
Cash and cash equivalents	5,128	-	-	5,128	5,128
Trade receivables	16,431	-	-	16,431	16,431
Total assets	21,559	-	-	21,559	21,559
Liabilities					
Trade and other payables	-	-	2,682	2,682	2,682
Loans and borrowings					
Retail bonds	-	-	99,785	99,785	99,785
Wholesale bonds	-	-	149,385	149,385	149,385
Derivative financial instruments - interest rate swaps	-	19,384	-	19,384	19,384
Derivative financial instruments - forward exchange contracts	-	106	-	106	-
Total liabilities	-	19,490	251,852	271,342	271,236

The Group discloses 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 shows 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 and Parent	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
At 31 March 2014				
Assets				
Derivative financial instruments	-	401	-	401
Total assets	**-**	**401**	**-**	**401**
Liabilities				
Derivative financial instruments	-	(9,722)	-	(9,722)
Total liabilities	**-**	**(9,722)**	**-**	**(9,722)**
At 31 March 2013				
Assets				
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Derivative financial instruments	-	(19,490)	-	(19,490)
Total liabilities	**-**	**(19,490)**	**-**	**(19,490)**

(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 2014							
Trade and other payables	11,389	11,389	11,389	-	-	-	-
Retail bonds	74,240	110,160	2,344	2,344	4,688	14,063	86,719
Wholesale bonds	199,487	243,697	4,203	4,596	10,155	172,328	52,414
Derivative financial instruments	9,722	7,327	2,173	1,779	2,596	868	(89)
Total liabilities	**294,838**	**372,573**	**20,109**	**8,719**	**17,439**	**187,259**	**139,044**
At 31 March 2013							
Trade and other payables	11,920	11,920	11,920	-	-	-	-
Retail bonds	99,785	104,688	3,750	100,938	-	-	-
Wholesale bonds	149,385	169,290	2,228	2,228	4,455	160,379	-
Derivative financial instruments	19,490	19,490	2,249	2,249	4,498	10,494	-
Total liabilities	**280,580**	**305,388**	**20,147**	**105,415**	**8,953**	**170,873**	**-**

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 2014							
Trade and other payables	11,421	11,421	11,421	-	-	-	-
Retail bonds	74,240	110,160	2,344	2,344	4,688	14,063	86,719
Wholesale bonds	199,487	243,697	4,203	4,596	10,155	172,328	52,414
Derivative financial instruments	9,722	7,327	2,173	1,779	2,596	868	(89)
Total liabilities	**294,870**	**372,605**	**20,141**	**8,719**	**17,439**	**187,259**	**139,044**
At 31 March 2013							
Trade and other payables	14,089	14,089	14,089	-	-	-	-
Retail bonds	99,785	104,688	3,750	100,938	-	-	-
Wholesale bonds	149,385	169,290	2,228	2,228	4,455	160,379	-
Derivative financial instruments	19,490	19,490	2,249	2,249	4,498	10,494	-
Total liabilities	**282,749**	**307,557**	**22,316**	**105,415**	**8,953**	**170,873**	**-**

(f) Cash flow hedges

(i) Amortisation of fair value of ineffective hedges transferred from equity

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 profit and loss in the statement of comprehensive income from the date of change over the original terms of the contracts maturing in August 2011, February 2012 and August 2012. The cash flow hedge reserve was fully amortised in the year ended 31 March 2013.

(ii) Change in value of financial instruments designated as fair value through profit or loss

As at 31 March 2014, the Group has interest rate contracts with maturities up to June 2019. Interest rate contracts are marked to market and this has resulted in an unrealised gain of $10.2 million for the year ended 31 March 2014 (2013: unrealised loss of $0.1 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 and available sources of capital and relative cost. The Group is subject to certain compliance ratios relevant to the facility agreements and Trust Deeds applicable to the borrowings. There were no changes in the Group's approach to capital management during the year. The Group monitors capital on the basis of the gearing ratio, which is calculated as net debt divided by total capital funding.

		Consolidated		Parent	
	Notes	**2014**	2013	**2014**	2013
		$000	$000	**$000**	$000
Net debt					
Retail and wholesale bonds	6	(273,727)	(249,170)	(273,727)	(249,170)
Cash and cash equivalents	7	28,927	5,725	28,809	5,128
Total net debt		**(244,800)**	**(243,445)**	**(244,918)**	**(244,042)**
Total equity		**(440,332)**	**(427,688)**	**(442,097)**	**(429,844)**
Total capital funding		**(685,132)**	**(671,133)**	**(687,015)**	**(673,886)**
Gearing ratio		**35.7%**	**36.3%**	**35.6%**	**36.2%**

(15) Accrued employee benefits

	Consolidated and Parent	
	2014	2013
	$000	$000
Salaries and wages	1,301	1,060
Annual leave	595	607
Total accrued employee benefits	**1,896**	**1,667**

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

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Net profit	23,455	16,246	23,064	18,398
Add items not involving cash flows				
Investment property revaluation net increase	(511)	(4,698)	(511)	(4,698)
Change in value of financial instruments designated as fair value through profit or loss	(10,168)	64	(10,168)	64
Amortisation of fair value of ineffective hedges transferred from equity	-	625	-	625
Depreciation	15,781	16,017	15,781	16,017
Gain on disposal of property, plant and equipment	(118)	(602)	(118)	(602)
Loss on recognition of assets held for sale	959	4,922	-	-
Movement in deferred tax	1,411	202	1,564	376
Amortisation of transaction costs from issue of bonds	(443)	-	(443)	(126)
Interest capitalised	(375)	(134)	(375)	(134)
Movements in working capital				
(Increase)/decrease in trade and accounts receivables	(131)	(2,121)	2,425	(7,310)
(Increase)/decrease in prepayments and sundry receivables	(826)	251	(224)	305
(Decrease)/increase in accounts payable	(511)	(665)	(1,804)	730
(Decrease)/increase in accruals and other liabilities	5	491	(835)	767
Increase in taxation payable	1,223	745	918	1,410
Net cash inflow from operating activities	**29,751**	**31,343**	**29,274**	**25,822**

(17) Segment reporting

Analysis of the revenue breakdown for the Group is 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 Group has, therefore, determined that one reportable segment exists for the airport being airport related operations which includes landing and terminal charges, property leases, retail, trading revenues and noise mitigation activities.

The Group operates entirely in one geographical segment, being New Zealand. Refer to the statement of comprehensive income and the statement of financial position for further details.

Major customers

The Group has three main airline customers (Air New Zealand Group, Qantas Group and Virgin Australia Airlines Group). The revenue from these customers for the year ended 31 March 2014 was $64.9 million (2013: $62.2 million).

(18) 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.

Noise mitigation service fees were paid to WANT Limited during the year totalling $2,204,570 (2013: $2,182,122). WANT Limited also made payments to WIAL which includes the charging of administrative services. During the period, WIAL has sold residential houses to WANT Limited at a market value of $721,477 (2013: $4,869,325). The trade receivables owed by WANT Limited as at 31 March 2014 was $2,633,011 (2013: $5,190,541) and the trade payables owed to WANT Limited as at 31 March 2014 was $223,223 (2013: $1,419,146).

	Transaction Value for the year ended 31 March		Balance receivable/(payable) as at 31 March	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Wellington City Council				
Dividend payment	(10,828)	(8,826)	-	-
Directors' fees	(18)	-	-	-
Rates	(2,183)	(1,965)	-	(30)
Grants	257	-	257	-
Other	(106)	(227)	23	(7)
Infratil and its subsidiaries				
Infratil Group - subvention payment	(35,330)	(29,982)	-	-
Cityline NZ Limited - Airport Flyer Bus services	305	214	23	24
H.R.L. Morrison & Co Limited - Consultancy fees	(5)	(116)	-	-
- Directors' fees	(182)	(125)	-	-
iSite Limited - Advertising services	1,357	1,407	157	150
Infratil Associate				
Z Energy - Lease of property	178	285	40	40

Directors fees of $181,962 (2013: $124,848) were paid during the year to H.R.L. Morrison & Co, the company responsible for the day-to-day management of Infratil Limited, for the services of T Brown, P Coman, S Fitzgerald and J Boyes as Directors, and T Brown and S Fitzgerald as Audit and Risk Committee members. Directors fees of $17,513 (2013: nil) were paid during the year to the Wellington City Council, for the services of C Wade-Brown as a Director.

From time to time Directors of the Group, or their related entities, may enter into transactions with the Group as members of the public. These transactions are entered into on an arm's length commercial basis.

(19) Financial commitments

(a) Capital commitments

	Consolidated		Parent	
	2014	2013	**2014**	2013
	$000	$000	**$000**	$000
Contracted but not provided for	**3,029**	**10,618**	**3,029**	**10,618**

The property, plant and equipment contracted but not provided for relates to terminal development works and sundry other projects.

(19) Financial commitments (continued)

(b) Leases

Lease commitments to the Company

The Company owns investment properties and other properties, plant and equipment which are leased to produce property income. The lessee commitments to the Company expire as set out below:

	Consolidated and Parent	
	2014	2013
	$000	$000
Between 0 to 1 year	14,828	17,616
Between 1 to 2 years	10,852	10,625
Between 2 to 5 years	12,834	10,713
More than 5 years	11,414	8,737
Total lessor commitments	**49,928**	**47,691**

Lease commitments of the Company

The Company has commitments under operating leases relating to the lease of premises and hire of plant and equipment. The lease periods range from 1 to 20 years. The lease commitments expire as set out below:

	Consolidated and Parent	
	2014	2013
	$000	$000
Between 0 to 1 year	805	818
Between 1 to 2 years	775	789
Between 2 to 5 years	2,258	2,245
More than 5 years	4,100	4,849
Total lessee commitments	**7,938**	**8,701**

(20) Contingent liabilities

There were no contingent liabilities outstanding at 31 March 2014 (2013: nil).

(21) Key management personnel disclosures

	Consolidated and Parent	
	2014	2013
	$000	$000
Short-term employee benefits	**2,493**	**1,973**

The key management personnel include the Directors of the Company, the Chief Executive Officer and those personnel reporting directly to the Chief Executive Officer. The Directors' fees of $328,498 (2013: $319,536) disclosed in Note 4: Operating expenses are included within short-term employee benefits as they form part of the remuneration to key management personnel.

(22) Infratil staff share scheme

The Company participates in two staff share schemes, namely an executive share scheme and a staff share purchase scheme.

The Company has recorded $131,928 in profit or loss in respect of the executive share scheme for the year ended 31 March 2014 (2013: $72,724). In association with employee participation in the staff share purchase scheme, the Company has recorded $19,170 in interest free loans as at 31 March 2014 (2013: $21,820).

(23) Events after balance date

There were no disclosable events after balance date.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2014

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
Timothy Brown	MCL Capital Limited	Chairman
	Creative Capital Arts Trust	Chairman
	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
Jason Boyes	H.R.L. Morrison & Co Limited	Executive
Peter Coman	Infratil Infrastructure Property Limited	Director
	Morrison & Co Property Group Limited	Director
	Woodward Infrastructure Limited	Director
	Morrison & Co PIP Limited	Director
	New Lynn Central Limited Partnership	Director
	iSite Limited	Director
	Learning Infrastructure Partners GP Limited	Director
	Aspire Schools (Qld) Pty Limited	Director
	Aspire Schools Holdings (Qld) Pty Limited	Director
Steven Fitzgerald	Infratil Airports Europe Limited	Chairman
	North West Auckland Airport Limited	Director
	Perth Airport Pty Limited	Director
	Perth Airport Development Group Pty Limited	Director
Keith Sutton	Taranaki Investment Management Limited	Chairman
Independent Director	Tasman Farms Limited	Chairman
	Gough Group Limited	Director
	OSPRI New Zealand Limited	Director
	Sutton McCarthy Limited	Director
	Sealord Group Limited	Director
	Wools of New Zealand Limited	Director
	The Van Diemen's Land Company	Governor
	Te Tumu Paeroa Advisory Board	Member
Celia Wade-Brown	Wellington City Council	Mayor

STATUTORY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2014

Remuneration of Directors

Fees paid and payable to Directors during the year were as follows:

Director name	Fees
Timothy Brown (Chairman)	$66,549
Peter Coman	$45,653
Steven Fitzgerald	$52,247
Keith Sutton	$57,827
Jason Boyes (appointed 15 November 2013)	$17,513
Celia Wade-Brown (appointed 2 December 2013)	$17,513
Ian McKinnon (resigned 7 October 2013)	$24,136
David Newman (resigned 8 October 2013)	$47,060

The Directors received no other remuneration or benefits for services in that office or in any other capacity other than as disclosed in Note 18.

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		
Timothy Brown	$100,000	-
Keith Sutton	-	$1,440,000

All bonds were purchased during the year ended 31 March 2014.

Loans to Directors

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

Use of company information

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

Directors' indemnity insurance

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

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2014

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 and its subsidiaries, 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	6
$120,001 to $130,000	2
$130,001 to $140,000	1
$140,001 to $150,000	2
$150,001 to $160,000	5
$160,001 to $170,000	2
$180,001 to $190,000	1
$190,001 to $200,000	1
$220,001 to $230,000	1
$330,001 to $340,000	1
$380,001 to $390,000	1
$540,001 to $550,000	1

Diversity of personnel

The Group considers that a merits based approach is appropriate for the selection and promotion of employees and executives, and for the composition of the Board and as such has not set specific targets for gender diversity.

At 31 March 2014, the WIAL Board consisted of five male Directors and one female Director (31 March 2013: six male Directors and no female Directors), and the Executive consisted of six male Executives and one female Executive (31 March 2013: six male Executives and no female Executives).

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.

The Board is committed to undertaking its role in accordance with internationally accepted best practice within the context of WIAL's business.

Board Membership

The Board currently comprises six non-executive Directors.

Infratil, as the majority shareholder of Wellington International Airport Limited, appointed four of the current Directors. The two remaining Board members have been appointed by the Wellington City Council.

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

Directors' Shareholding

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

Audit and Risk Committee

The Board has established an Audit and Risk Committee comprising of three Directors, Mr K Sutton (Chairman), Mr S Fitzgerald and Mr J Boyes with attendances by appropriate Wellington International Airport Limited representatives.

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

- Assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the Company's governance processes including assessing the adequacy of the Company's:
  - financial reporting;
  - accounting policies;
  - financial management;
  - internal control system;
  - risk management system;
  - systems for protecting Company assets;
  - compliance with the Commerce Act 1986 Information Disclosure requirements; 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 and 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 J Boyes 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 Review and recommend to the Board any changes to the treasury management policies;
- to Oversee the development of the strategy to implement treasury management policies;
- to Recommend to the Board instrument types that may be used; and
- to Recommend to the Board bank counterparties and counterparty limits.

The Board has established a Remuneration Committee comprising of two Directors, Mr T Brown (Chairman) and Mr K Sutton 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 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 and 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.

Management is required to, and has confirmed to the Audit and Risk Committee and Board in writing that:

- Financial records have been properly maintained and the Company's financial statements present a true and fair view, in all material respects, of the Company's financial condition, and operating results are in accordance with relevant accounting standards;
- The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and comply with International Financial Reporting Standards (IFRS) and other applicable financial reporting standards for profit-orientated entities; and
- Appropriate and effective internal controls and risk management practices are in place to safeguard and protect WIAL's assets and to identify, assess, monitor and manage risk, and identify material changes to WIAL's risk profile.

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 Group'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.

Shareholder and other Stakeholder Communications

The Board aims to ensure that shareholders and other stakeholders are informed of all major developments affecting the Company'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 from the Company Secretary.

FIVE YEAR SUMMARY & STATISTICS

WIAL AIRPORT STATISTICS

Passenger movements (000's)	2014	2013	2012	2011	2010
Domestic	4,684	4,647	4,474	4,480	4,491
International	753	727	718	655	627
Total	**5,437**	**5,374**	**5,192**	**5,135**	**5,118**

Aircraft movements	2014	2013	2012	2011	2010
Domestic	81,744	84,064	81,952	83,072	84,708
International	5,742	5,800	5,708	5,512	5,476
Military, freight, private and other movements	9,055	10,134	13,249	12,112	12,834
Total	**96,541**	**99,998**	**100,909**	**100,696**	**103,018**

Number of employees	2014	2013	2012	2011	2010
FTE	90	86	87	84	84

WIAL CONSOLIDATED FINANCIAL RESULTS

Statement of financial position ($000's)

	2014	2013	2012	2011	2010
Non-current assets	799,478	794,089	781,503	702,136	680,371
Current assets	42,848	18,692	13,180	42,331	39,391
Total assets	**842,326**	**812,781**	**794,683**	**744,467**	**719,762**
Non-current liabilities	375,638	259,547	360,843	349,023	320,354
Current liabilities	26,356	125,546	25,591	26,153	24,246
Total liabilities	**401,994**	**385,093**	**386,434**	**375,176**	**344,600**
Net assets/Shareholders' equity	**440,332**	**427,688**	**408,249**	**369,291**	**375,162**

Statement of profit and loss ($000's)

	2014	2013	2012	2011	2010
Revenue	110,890	106,189	99,467	92,625	86,246
Operating expenses (excluding subvention payment)	(24,858)	(23,249)	(24,002)	(22,320)	(19,654)
EBITDAF before subvention payment	**86,032**	**82,940**	**75,465**	**70,305**	**66,592**
Investment property revaluation increase/(decrease)	511	4,698	922	207	(740)
Property, plant and equipment revaluation decrease	-	-	-	(213)	-
Gain/(loss) on sale of fixed assets	118	602	(3)	2	12
Change in value of financial instruments designated as fair value through profit or loss	10,168	(689)	(9,578)	(12,521)	(4,458)
Impairment of assets held for sale	(959)	(4,922)	-	-	-
Operating earnings before interest, tax and depreciation	**95,870**	**82,629**	**66,806**	**57,780**	**61,406**
Depreciation	(15,781)	(16,017)	(17,553)	(14,403)	(14,372)
Earnings before interest and tax	**80,089**	**66,612**	**49,253**	**43,377**	**47,034**
Net finance expense	(18,670)	(19,438)	(19,103)	(16,925)	(16,544)
Subvention payment	(35,330)	(29,982)	(30,137)	(27,245)	(23,675)
Profit/(loss) before taxation	**26,089**	**17,192**	**13**	**(793)**	**6,815**
Taxation	(2,634)	(946)	3,836	(18,310)	491
Profit/(loss) after taxation	**23,455**	**16,246**	**3,849**	**(19,103)**	**7,306**
Net profit from discontinued operations after taxation	-	-	5,132	-	-
Dividends	(10,828)	(8,826)	(49,061)	(8,341)	(7,068)
Retained earnings/(deficit)	**12,627**	**7,420**	**(40,080)**	**(27,444)**	**238**

Independent auditor’s report

To the shareholders of Wellington International Airport Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Wellington International Airport Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 3 to 28. The financial statements comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

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

Auditor’s responsibility

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

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

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

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

Opinion

In our opinion the financial statements on pages 3 to 28:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 March 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

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

KPMG

8 May 2014
Wellington