WELLINGTON INTERNATIONAL AIRPORT LIMITED

Consolidated Annual Report

For the Year Ended 31 March 2019

DIRECTORS' REPORT

The Directors have pleasure in presenting to shareholders the consolidated annual report for Wellington International Airport Limited (WIAL and/or the Company) for the year ended 31 March 2019.

Directors
The Directors of WIAL during the year were:

- Timothy Brown, Chairman
- Alison Gerry
- Andrew Foster
- Jason Boyes
- Keith Sutton (retired on 31 December 2018)
- Phillip Walker
- Wayne Eagleson (appointed on 1 Jan 2019)

During the year, Andrew Lamb attended the Board meetings as an observer as part of a Cadetship under the Company's Aspiring Directors Programme.

Group's Affairs and Nature of Business
WIAL and its wholly owned subsidiaries (the Group) provide integrated airport and commercial facilities and services to various airlines and other airport users in Wellington, New Zealand. The Group also operates a commercial retail park adjacent to the airport site.

WIAL has two wholly owned subsidiary companies. 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. Whare Manaakitanga Limited operates WIAL's new airport hotel which opened for customers on 12 February 2019. 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 Group's affairs to be satisfactory.

The nature of the Group's business has not changed during the year, other than commencement of operations of the new hotel.

Earnings After Subvention Payment and Dividends
Total revenue for the year was $137.9 million. The net profit after taxation amounted to $23.5 million after $40.5 million in subvention payments were paid to subsidiaries of the Infratil Group.

During the year a dividend of $12.6 million was paid to Wellington City Council.

Retained Earnings
Retained earnings was $122.4 million, an increase for the year of $10.9 million.

Asset Revaluation Reserve
The asset revaluation reserve at 31 March 2019 was $479.5 million.

Liabilities
The liabilities of WIAL are not guaranteed by its shareholders.

Auditors
KPMG remained the Group's auditors during the year.

On behalf of the Board

Timothy Brown
Chairman
15 May 2019

Alison Gerry
Chair of the Audit and Risk Committee
15 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 $000	2018 $000
Aircraft movement and terminal charges		81,490	76,154
Retail and trading activities		43,542	40,263
Property rent and lease income		12,857	12,220
Total revenue		**137,889**	**128,637**
Operating expenses	A3	(24,831)	(22,525)
Employee remuneration and benefits	A4	(11,673)	(10,697)
Subvention payment	D2	(40,463)	(37,937)
Total operating and other expenditure		**(76,967)**	**(71,159)**
Investment properties revaluation net increase	B2	4,754	11,542
Depreciation	B1	(23,742)	(23,587)
Gain on sale of property, plant and equipment		16	-
Operating earnings before net financing expense		**41,950**	**45,433**
Interest income		291	865
Interest expense	C2	(19,663)	(19,291)
Other finance income	C3	1,197	1,883
Net financing expense		**(18,175)**	**(16,543)**
Net profit from continuing operations before taxation		**23,775**	**28,890**
Taxation expense	A5	(234)	(4,209)
Net profit after taxation		**23,541**	**24,681**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Property, plant and equipment revaluation	B1	14,000	72,372
Income tax on property, plant and equipment revaluation	A5	-	(11,857)
Total items that will not be reclassified to profit or loss		14,000	60,515
Items that may subsequently be reclassified to profit or loss:			
Fair value losses recognised in the cash flow hedge reserve	C3	(9,251)	(1,230)
Tax effect of movements in the cash flow hedge reserve	A5	2,590	344
Total items that may subsequently be reclassified to profit or loss		(6,661)	(886)
Total other comprehensive income		**7,339**	**59,629**
Total comprehensive income		**30,880**	**84,310**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Note	Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Other Reserves	Retained Earnings	Total Equity
				Attributable to Equity Holders			
		$000	$000	$000	$000	$000	$000
Balance as at 1 April 2018		**9,050**	**465,455**	**(886)**	**202**	**111,445**	**585,266**
Comprehensive income							
Net profit		-	-	-	-	23,541	23,541
Other comprehensive income		-	14,000	(6,661)	-	-	7,339
Total comprehensive income		**-**	**14,000**	**(6,661)**	**-**	**23,541**	**30,880**
Contributions by and distributions to owners							
Movement in executive redeemable shares		-	-	-	130	-	130
Dividends to equity holders		-	-	-	-	(12,610)	(12,610)
Total contributions by and distributions to owners		**-**	**-**	**-**	**130**	**(12,610)**	**(12,480)**
Balance as at 31 March 2019	C1	**9,050**	**479,455**	**(7,547)**	**332**	**122,376**	**603,666**

	Note	Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Other Reserves	Retained Earnings	Total Equity
				Attributable to Equity Holders			
		$000	$000	$000	$000	$000	$000
Balance as at 1 April 2017		**9,050**	**404,940**	**-**	**169**	**98,701**	**512,860**
Comprehensive income							
Net profit		-	-	-	-	24,681	24,681
Other comprehensive income		-	60,515	(886)	-	-	59,629
Total comprehensive income		**-**	**60,515**	**(886)**	**-**	**24,681**	**84,310**
Contributions by and distributions to owners							
Movement in executive redeemable shares		-	-	-	33	-	33
Dividends to equity holders		-	-	-	-	(11,937)	(11,937)
Total contributions by and distributions to owners		**-**	**-**	**-**	**33**	**(11,937)**	**(11,904)**
Balance as at 31 March 2018	C1	**9,050**	**465,455**	**(886)**	**202**	**111,445**	**585,266**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 $000	2018 $000
Cash and cash equivalents	C3	20,265	21,531
Receivables	C3	17,890	14,776
Prepayments and sundry receivables		5,788	4,578
Current assets		**43,943**	**40,885**
Property, plant and equipment	B1	1,127,029	1,064,285
Investment properties	B2	86,615	81,861
Derivative financial instruments	C3	2,906	-
Non current assets		**1,216,550**	**1,146,146**
Total assets		**1,260,493**	**1,187,031**
Trade and other payables	C3	2,001	1,644
Current tax payable	A5	17,535	15,951
Accruals and other liabilities		16,399	20,006
Accrued employee benefits	A4	4,017	3,318
Loans and borrowings	C2	75,000	-
Current liabilities		**114,952**	**40,919**
Deferred taxation	A5	125,854	129,795
Derivative financial instruments	C3	10,922	9,427
Loans and borrowings	C2	405,099	421,624
Non current liabilities		**541,875**	**560,846**
Attributable to shareholders		603,666	585,266
Total equity		**603,666**	**585,266**
Total equity and liabilities		**1,260,493**	**1,187,031**

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

On behalf of the Board

Timothy Brown
Chairman
15 May 2019

Alison Gerry
Chair of the Audit and Risk Committee
15 May 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		133,565	126,908
Interest received		291	865
Cash was disbursed to:			
Payments to suppliers and employees		(38,920)	(29,998)
Interest paid		(19,104)	(18,554)
Subvention payment	D2	(40,463)	(37,937)
Net cash flows from operating activities		**35,369**	**41,284**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		16	9
Cash was disbursed to:			
Purchase of property, plant and equipment		(72,492)	(84,454)
Net cash flows from investing activities		**(72,476)**	**(84,445)**
Cash flows from financing activities			
Cash was provided from:			
Increase in borrowings		50,000	99,751
Cash was disbursed to:			
Repayment of bonds		-	(90,000)
Bond issue costs		(1,549)	(952)
Dividend payment	D2	(12,610)	(11,937)
Net cash flows from financing activities		**35,841**	**(3,138)**
Net (decrease)/increase in cash and cash equivalents		(1,266)	(46,299)
Cash and cash equivalents balance at the beginning of the year		21,531	67,830
Cash and cash equivalents balance at the end of the year	C3	**20,265**	**21,531**

Reconciliation of net profit after taxation to net cash flows from operating activities:	2019 $000	2018 $000
Net profit after taxation	**23,541**	**24,681**
Other finance income	(1,197)	(1,883)
Depreciation	23,742	23,587
Investment properties revaluation net increase	(4,754)	(11,542)
Other movements not involving cash flows	906	3,768
Movements in working capital	(6,869)	2,673
Net cash flows from operating activities	**35,369**	**41,284**

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

REPORTING ENTITY

The financial statements presented are those of the consolidated Wellington International Airport Limited Group (the Group), comprising Wellington International Airport Limited (WIAL and/or the Company) and its subsidiaries, Wellington Airport Noise Treatment Limited (WANT Limited) and Whare Manaakitanga Limited.

The Group operates in Wellington, New Zealand, providing integrated airport and commercial facilities and services to various airlines and other airport users. The Group also operates a commercial retail park adjacent to the airport site.

STATUTORY BASE

The parent company, WIAL, is a profit oriented company incoporated and domiciled in New Zealand as a limited liability company registered under the Companies Act 1993. The company has bonds listed on the NZX Debt Market (NZDX) and on that basis meets the definition of a Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

BASIS OF PREPARATION

The consolidated financial statements are general purpose financial statements and 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 (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements are presented for the year ended 31 March 2019 and were approved by the Board of Directors on 20 May 2019.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain items as identified in specific accounting policies, and are presented in New Zealand Dollars which is the Group's functional currency. Where indicated, values are rounded to the nearest thousand dollars ($000).

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented.

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2018:

- NZ IFRS 9 *Financial Instruments*
- NZ IFRS 15 *Revenue from Contracts with Customers*

NZ IFRS 9 *Financial Instruments*

NZ IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. All existing Group hedging relationships designated under IAS 39 as at 31 March 2018 have been determined to meet the criteria for hedge accounting under NZ IFRS 9 at 1 April 2018. Additional interest rates swaps taken out during the year were brought into existing hedge relationships under NZ IFRS 9. In accordance with the transitional provisions in NZ IFRS 9, comparitive figures have not been restated in these financial statements. The adoption of this accounting standard has had no material impact on the financial statements.

NZ IFRS 15 *Revenue from Contracts with Customers*

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group has adopted NZ IFRS 15 using the cumulative method (without applying practical expedients) with the effect of applying this standard recognised at the date of application. For those revenue streams that fall under the scope of NZ IFRS 15, the timing of revenue recognition has been assessed to be in line with the satisfaction of performance obligations. The adoption of this accounting standard has had no material impact on the financial statements.

USE OF ACCOUNTING ESTIMATES AND JUDGEMENT

These consolidated financial statements comply with NZ IFRS, 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.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed within the specific notes shown below:

Area of estimate or judgement	**Note**
Valuation of property, plant and equipment	Note B1 Property, plant and equipment
Valuation of investment properties	Note B2 Investment properties

FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial 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 the 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. Financial risk management principles are disclosed within the specific notes shown below:

Area of risk management	Note
Capital risk	Note C1 Share capital
Market risk	Note C3 Financial Instruments
Liquidity risk	Note C3 Financial Instruments
Credit risk	Note C3 Financial Instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The notes include information that is required to understand the consolidated financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business; and/or
- it relates to an aspect of the Group's operations that is important to its future performance.

NOTE CATEGORIES

NOTE ANNOTATIONS

P — Accounting policy

E — Key judgements and estimates

R — Financial risks

A. FINANCIAL PERFORMANCE

A1. Segment reporting and non-NZ GAAP measure

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Operating segments are identified based on the nature of the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker of the Group has been identified as the Chief Executive Officer. Based on the internal reporting to the Chief Executive Officer, the Group is considered to have one operating segment.

The Group has two major customers that individually contribute greater than 10% of the Group's revenue. The revenue earned from these customers for the year ended 31 March 2019 was $79.3 million (2018: $71.0 million).

The Group refers to a non-NZ GAAP financial measure of earnings before interest, tax, depreciation, amortisation, change in fair value of financial instruments, impairments and gain/(loss) on sale of assets and subvention payment (EBITDAF) within these consolidated financial statements. The Board and management consider it a useful non-NZ GAAP financial measure as it shows the contribution to earnings prior to non-cash items, cost of financing and subvention and is used by management, in conjunction with other measures, to monitor financial performance. The limited use of this non-NZ GAAP measure is intended to supplement NZ GAAP measures and is not a substitute for NZ GAAP measures. As these measures are not defined by NZ GAAP, NZ IFRS, or any other body of accounting standards, the Group's calculations may differ from similarly titled measures presented by other companies.

	2019	2018
	$000	$000
Net profit after taxation	**23,541**	**24,681**
Subvention payment	40,463	37,937
Net financing expense	18,175	16,543
Taxation expense	234	4,209
Depreciation	23,742	23,587
Investment property revaluation net increase	(4,754)	(11,542)
Gain on sale of property, plant and equipment	(16)	-
EBITDAF	**101,385**	**95,415**

A2. Revenue

Revenue is earned from aircraft movement and terminal charges, retail and trading activities and property leases.

Revenue recognition

P

Revenue is recognised as the amount of consideration expected to be received in exchange for transferring promised goods or services to a customer. There is no change to the timing of revenue recognition arising from the adoption of NZ IFRS 15. NZ IFRS 15 does not apply to revenues other than those from contracts with customers.

Aircraft movement and terminal charges

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

Retail and trading activities

Retail concession fees are recognised as revenue on an accrual basis in accordance with agreements. Hotel revenue and car park revenue is recognised once the service is delivered.

Property rent and lease income

Rental revenue, net of lease incentives, is recognised on a straight line basis over the term of the lease.

Interest income

Interest income is recognised as it accrues, using the effective interest rate method. Refer to note C3 for further information regarding the interest rate contracts in place.

Total contract and other revenue	2019	2018
	$000	$000
Aircraft movement and terminal charges	81,490	76,154
Transport, hotel and other trading activities	30,490	27,491
Total contract revenue	**111,980**	**103,645**
Retail concession fees	13,052	12,772
Property rent and lease income	12,857	12,220
Total revenue	**137,889**	**128,637**

A3. Operating expenses

The Group incurs operating expenses in delivering its services as an integrated airport to various airlines and other airport users. The main components comprising operating expenses are outlined below.

Fees paid to auditors:	2019 $000	2018 $000
Audit of statutory financial statements	110	81
Taxation and other assurance services *(Note 1)*	68	101
Directors' fees	607	529
Regulatory compliance and airline pricing consultation *(Note 2)*	293	365
Marketing and development	2,413	2,137
Cleaning and energy	2,350	2,201
Rates and insurance	6,070	5,263
Repairs and maintenance	2,475	2,639
Operating lease expenses	810	803
Noise mitigation program	2,018	1,664
Administration and other expenses	7,617	6,742
Total operating expenses	**24,831**	**22,525**

Note 1 - Includes audit of WIAL's regulatory annual disclosures.

Note 2 - In addition to these costs, the Group has incurred $1.1m (2018: $0.4m) of regulatory and compliance costs in relation to the proposed runway extension including costs associated with the judicial review process. These costs have been capitalised and included in capital work in progress at note B1.

A4. Employee remuneration and benefits

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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 the amount can be 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.

During the year, WIAL participated in two Infratil share schemes, namely an executive Infratil share scheme and a staff Infratil share purchase scheme. The executive Infratil share scheme was replaced last year with a new executive long term, non-equity based incentive scheme. In association with employee participation in the staff Infratil share purchase scheme, WIAL has recorded $8,120 in interest free loans as at 31 March 2019 (2018: $20,390).

Accrued employee benefits	2019 $000	2018 $000
Salaries and wages	3,149	2,633
Annual and long service leave	868	685
Total accrued employee benefits at the end of the year	**4,017**	**3,318**

Key management personnel disclosures

Key management personnel include the Directors of WIAL, the Chief Executive Officer and those personnel reporting directly to the Chief Executive Officer. The Directors' fees for the year ended 31 March 2019 of $606,597 (2018: $529,000) disclosed in Note A3 are included within short-term employee benefits as they form part of the remuneration to key management personnel.

Key management personnel benefits	2019 $000	2018 $000
Short-term employee benefits	3,535	3,654
Long-term employee benefits	634	260
Key management personnel benefits expense for the year	**4,169**	**3,914**

A5. Taxation

P

Current and deferred tax is recognised in profit or loss in the statement of comprehensive income, 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. Current tax is the expected tax receivable/(payable) on the taxable (loss)/income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

	2019 $000	2018 $000
Net profit before taxation	**23,775**	**28,890**
Taxation at 28%	(6,657)	(8,089)
Subvention payment made in respect of prior period	(11,330)	(10,622)
Taxation effect of non deductible items	(351)	3,121
Loss offset	4,654	4,142
Over provision in prior years	13,450	7,239
Taxation expense	**(234)**	**(4,209)**
Current taxation	(1,585)	(1,150)
Deferred taxation	1,351	(3,059)
Taxation expense	**(234)**	**(4,209)**

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Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. Income taxes relating to items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the income statement. 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 balance date.

	Property, plant and equipment $000	Investment properties $000	Derivative financial instruments $000	Accrued employee benefits $000	Other $000	Total $000
Balance at 1 April 2018	(117,595)	(13,392)	1,171	485	(464)	(129,795)
Recognised in profit and loss	2,874	(1,506)	(194)	258	(81)	1,351
Recognised in other comprehensive income	-	-	2,590	-	-	2,590
Balance at 31 March 2019	**(114,721)**	**(14,898)**	**3,567**	**743**	**(545)**	**(125,854)**
Balance at 1 April 2017	(107,148)	(9,968)	1,883	401	(391)	(115,223)
Recognised in profit and loss	1,410	(3,424)	(1,056)	84	(73)	(3,059)
Recognised in other comprehensive income	(11,857)	-	344	-	-	(11,513)
Balance at 31 March 2018	**(117,595)**	**(13,392)**	**1,171**	**485**	**(464)**	**(129,795)**

B. FIXED ASSETS

B1. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, or at fair value less accumulated depreciation and impairment losses as set out in the table on page 14. Fair value is based on valuations which are undertaken on a systematic basis at least every five years. The fair value of assets are reviewed at the end of each reporting period to ensure that there is no material difference to the carrying value at the reporting date. Property, plant and equipment are also reviewed annually for indications of impairment with any identified impairment adjustments charged to profit or loss.

Depreciation

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. Land and certain civil foundation works are not depreciated.

The Group makes estimates of the remaining useful lives of assets, which are as follows:

Building ancillary services	2 – 30 years
Buildings	40 – 55 years
Civil works	0 – 120 years
Vehicles, plant and equipment	3 – 40 years

Individual asset remaining useful lives and residual values are assessed at least annually.

Capitalised interest

For the year ended 31 March 2019, capitalised borrowing costs relating to capital work in progress, as referred to in Note C2, amounted to $4.4 million (2018: $4.1 million), with an average interest rate of 4.90% per annum (2018: 5.17% per annum).

Valuation of property, plant and equipment

Fair value is determined by an independent valuation or by management using recognised valuation techniques. An independent valuer is engaged to provide a valuation if management does not have sufficient expertise to perform the valuation. 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. Where there is an observable market, an income based approach is used.

Land and buildings were revalued at 31 March 2018 by Savills (NZ) Limited. Civil assets were last revalued at 31 March 2016 by Opus International Consultants Limited. At the end of the current reporting period, the Group made an assessment of whether the carrying amounts of assets differed materially from fair value. This assessment considered changes in significant inputs since the last revaluation, movements in the capital goods price index and changes in valuations of investment property as an indicator of property, plant and equipment. At 31 March 2019, the Group assessment was that the fair value of land had increased by $14m, and there was no material change in the fair value of other assets not revalued at 31 March 2019. The major inputs and assumptions that form the basis of determining fair value and the relevant relationship of the inputs requiring judgement are outlined below.

Description of different valuation approaches

Discounted cash flow (DCF)	A valuation methodology which requires the application of financial modelling techniques. Discounted cash flow analysis requires assumptions to be made regarding the prospective income and expenses of a property. Such assumptions pertain to the quantity, quality, variability, timing, and duration of inflows and outflows over an assumed period. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.
Income capitalisation approach (Cap rate)	A valuation methodology which determines fair value by capitalising an asset's sustainable net income at an appropriate, market derived capitalisation rate based on an analysis of sales of comparable assets.
Optimised depreciated replacement costs (ODRC)	A valuation methodology whereby fair value is determined by calculating the cost of constructing a modern equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation) and any sub-optimal usage of the assets in their current application (optimisation).
Market value existing use approach (MVEU)	A valuation methodology whereby fair value, based on the highest and best alternative use (MVAU), is determined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction plus consenting and holding costs to provide land suitable for airport use. The consenting and holding costs are derived by the valuer using assumptions regarding the direct costs of obtaining consent, the developer's weighted average cost of capital and the holding period for conversion to airport use.

Fair value hierarchy levels

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

• Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2 - 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); or

• Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There were no transfers between levels of the fair value hierarchy during the year ended 31 March 2019 (2018: none).

Unobservable inputs

The valuation methodology adopted by the Group makes use of inputs which do not have any market data available and are developed using the best information available that market participants would use when evaluating pricing.

B1. Property, plant and equipment (continued)

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

Description	Valuation approach	Fair value hierarchy level	Significant unobservable inputs		Sensitivity valuation impact	Relationship of unobservable inputs to fair value
Land						
Aeronautical land - used for airport activities and specialised aeronautical assets. Non-aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail, residential and land associated with the vehicle business.	MVEU	3	Average MVAU rate per hectare	$1.86 million per hectare	A 5% change equates to +/- $10.0m	The higher the rate per hectare, the higher the fair value.
			Developer's WACC rate	10.40%	A 5% change equates to +/- $7.4m	The higher the WACC rate, the higher the fair value.
			Holding period	6 years	A 6 month change equates to +/- $11.1m	The longer the holding period, the higher the fair value.
Valued at 31 March 2018 by Savills (NZ) Limited, registered valuers, at $333.1 million. The valuation was then subject to a peer review before being adopted by WIAL.						
Civil						
Civil works include sea protection and site services, excluding such site services to the extent that they would otherwise create duplication of value.	ODRC	3	Average cost rates per sqm for concrete, asphalt, base course and foundations	Concrete $800 Asphalt $892 Base course $96 Foundations $19	A 5% change equates to +/- $7.2m	The higher the average cost rates, the higher the fair value.
			Estimated remaining useful life	Average remaining useful life 30 years	A 5% change equates to +/- $7.2m	The longer the estimated remaining useful life, the higher the fair value.
Valued at 31 March 2016 by Opus International Consultants Limited at $144.7 million.						
Buildings						
Specialised buildings used for identified airport activities. Non specialised buildings used for purposes other than for identified airport activities, including space allocated within the main terminal building for retail activities, offices and storage.	ODRC	3	Average modern equivalent asset rate per sqm	Specialised $5,567	A 5% change equates to +/- $13.0m	The higher the modern equivalent asset rate, the higher the fair value.
				Non specialised $1,711	A 5% change equates to +/- $0.4m	The higher the modern equivalent asset rate, the higher the fair value.
Vehicle business assets associated with car parking and taxi, shuttle and bus services (excluding land and civil).	DCF and Cap rate	3	Revenue growth	3.00%	A 5% change equates to +/- $0.8m	The higher the assumed revenue growth, the higher the fair value.
			Cost growth	3.00%	A 5% change equates to +/- $0.2m	The higher the assumed cost growth, the lower the fair value.
			Discount rate	12.00%	A 5% change equates to +/- $6.6m	The higher the discount rate, the lower the fair value.
			Income capitalisation rate	9.00%	A 5% change equates to +/- $9.0m	An increase in the capitalisation rate will decrease the fair value.
Valued at 31 March 2018 by Savills (NZ) Limited, registered valuers, at $423.4 million. The valuation was then subject to a peer review before being adopted by WIAL.						
Vehicles, plant and equipment						
Vehicles, plant and equipment comprises a mixture of specialised and non-specialised assets.	Cost less accumulated depreciation and impairment losses					

B1. Property, plant and equipment (continued)

A reconciliation of movements for each class of the Group's assets during the reporting period is outlined below.

	Land at fair value $000	Civil at fair value $000	Buildings at fair value $000	Vehicles, Plant and Equipment at cost $000	Capital work in progress at cost $000	Total $000
Cost or valuation						
Balance at 1 April 2018	333,147	171,201	423,449	49,219	138,981	1,115,997
Additions	-	24	25	228	72,218	72,495
Transfer from capital work in progress	-	33,847	112,496	11,495	(157,838)	-
Transfer from property, plant and equipment assets to investment properties	-	-	-	-	-	-
Disposals	-	-	-	(33)	-	(33)
Movement in asset revaluation	14,000	-	-	-	-	14,000
Balance at 31 March 2019	**347,147**	**205,072**	**535,970**	**60,909**	**53,361**	**1,202,459**
Accumulated depreciation and impairment losses						
Balance at 1 April 2018	-	15,318	-	36,394	-	51,712
Depreciation for the year	-	7,490	11,864	4,388	-	23,742
Disposals	-	-	-	(24)	-	(24)
Balance at 31 March 2019	**-**	**22,808**	**11,864**	**40,758**	**-**	**75,430**
Net book value at 31 March 2019	**347,147**	**182,264**	**524,106**	**20,151**	**53,361**	**1,127,029**
Cost or valuation						
Balance at 1 April 2017	302,526	169,270	399,433	46,279	63,235	980,743
Additions	-	-	56	555	84,992	85,603
Transfer from capital work in progress	595	1,932	4,326	2,393	(9,246)	-
Transfer from property, plant and equipment assets to investment properties	-	(1)	(523)	-	-	(524)
Disposals	-	-	-	(8)	-	(8)
Movement in asset revaluation	30,026	-	20,157	-	-	50,183
Balance at 31 March 2018	**333,147**	**171,201**	**423,449**	**49,219**	**138,981**	**1,115,997**
Accumulated depreciation and impairment losses						
Balance at 1 April 2017	-	7,760	10,285	32,276	-	50,321
Depreciation for the year	-	7,558	11,904	4,125	-	23,587
Disposals	-	-	-	(7)	-	(7)
Movement in asset revaluation	-	-	(22,189)	-	-	(22,189)
Balance at 31 March 2018	**-**	**15,318**	**-**	**36,394**	**-**	**51,712**
Net book value at 31 March 2018	**333,147**	**155,883**	**423,449**	**12,825**	**138,981**	**1,064,285**

At 31 March 2019, had assets been carried at historic cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been $88.8 million for land (2018: $88.8 million), $146.5 million for civil assets (2018: $116.7 million) and $317.1 million for buildings (2018: $212.0 million).

B2. Investment properties

Investment properties are measured at fair value with any change recognised in profit or loss. Investment properties are revalued annually at fair value as determined by an independent valuer.

	2019 $000	2018 $000
Balance at the beginning of the year	81,861	69,795
Transfer from property, plant and equipment assets to investment properties	-	524
Investment properties revaluation net increase	4,754	11,542
Balance at the end of the year	**86,615**	**81,861**

	2019 $000	2018 $000
Amounts recognised in profit or loss (excluding revaluations):		
Rental income from investment properties	6,623	6,340
Direct operating expenses arising from investment properties	(800)	(947)
Net amount recognised in profit or loss (excluding revaluations)	**5,823**	**5,393**

Valuation of investment properties

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

Description	Valuation approach	Fair value hierarchy level	Significant unobservable inputs		Relationship of unobservable inputs to fair value
Investment Properties					
Properties held for investment income earning purposes.	DCF and Cap rate	3	Weighted average discount rate	7.88% (2018: 7.92%)	An increase in the discount rate will decrease the fair value.
			Weighted average income capitalisation rate	7.06% (2018: 7.10%)	An increase in the capitalisation rate will decrease the fair value.
			Weighted average lease term	3.08 years (2018: 3.28 years)	An increase in the average lease term will ordinarily increase the fair value.
Valued at 31 March 2019 by Jones Lang LaSalle, registered valuers, at $86.6 million (2018: $81.9 million).					

C. FUNDING

C1. Share capital

	2019 $000	2018 $000
Share capital is represented by:		
Total issued capital at the beginning and end of the year 40,155,942 ordinary shares	9,050	9,050
Balance at the end of the year	**9,050**	**9,050**

All ordinary shares have equal voting rights and share equally in dividends and equity. All shares have no par value.

Capital risk

The Group's capital includes share capital, reserves, retained earnings and loans and borrowings. The key factors in determining the Group's optimal capital structure are quality and dependability of earnings and cash flows, appropriate credit rating, capital needs and available sources, relative cost of capital and ability to withstand business shocks. The Group is subject to certain compliance ratios relevant to its bank facility agreements, USPP Note Purchase Agreement, Negative Pledge Deed Poll and Trust Deeds applicable to the bond borrowings.

C2. Loans and borrowings

Loans and 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.

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 construction projects of a qualifying asset are capitalised as part of the cost of the assets, as set out in Note B1.

	Issue Date	Maturity	2019 Interest Rate	2018 Interest Rate	2019 $000	2018 $000
Drawn bank facilities			Floating	Floating	50,000	-
Wholesale bonds WIA0619	17-Jun-13	17-Jun-19	Floating	Floating	25,000	25,000
Wholesale bonds WIA0620	11-Jun-13	11-Jun-20	5.27%	5.27%	25,000	25,000
Retail bonds WIA020	15-Nov-13	15-May-21	6.25%	6.25%	75,000	75,000
Retail bonds WIA030	12-May-16	12-May-23	4.25%	4.25%	75,000	75,000
Retail bonds WIA040	5-Aug-16	5-Aug-24	4.00%	4.00%	60,000	60,000
Retail bonds WIA050	16-Dec-16	16-Jun-25	5.00%	5.00%	70,000	70,000
USPP Notes - Series A (US$36 million)	27-Jul-17	27-Jul-27	3.47%	3.47%	51,969	47,241
USPP Notes - Series B (US$36 million)	27-Jul-17	27-Jul-29	3.59%	3.59%	51,969	47,241
Total borrowings at face value					**483,938**	**424,482**
Unamortised transaction costs					(3,839)	(2,858)
Carrying value of borrowings					**480,099**	**421,624**
Current					75,000	-
Non-current					405,099	421,624

Retail Bonds

Borrowings under the retail bond programme are supported by a Master Trust Deed and supplemented by the supplemental trust deeds (the "Trust Deeds") entered into between WIAL and Trustees Executors Limited (the "Supervisor"). The Retail Bonds are unsecured and unsubordinated. At 31 March 2019, the retail bonds had a fair value of $304.0 million (31 March 2018: $295.5 million), based on the NZDX valuation at balance date.

Wholesale Bonds

The Wholesale Bonds are unsecured, unsubordinated medium term notes issued under Deed Poll. At 31 March 2019, the wholesale bonds had a fair value of $50.1 million (31 March 2018: $51.0 million), based on quoted trading margins at balance date.

USPP Notes

On 27 July 2017 WIAL completed a United States Private Placement (USPP) note issuance, securing US$72 million of long term debt. The USPP comprised two equal tranches, a US$36 million 10 year Note with a coupon of 3.47% and a US$36 million 12 year Note with a coupon of 3.59%. In conjunction with the USPP issuance, WIAL entered into cross currency interest rate swaps to formally hedge the exposure to foreign currency risk over the term of the notes. These are described in more detail below in note C3.

At 31 March 2019, the USPP Notes had a fair value of $102.2 million (31 March 2018: $93.3 million). This debt is carried in the consolidated statement of financial position at amortised cost, translated to New Zealand dollars using foreign exchange rates at balance date.

C2. Loans and borrowings (continued)

Bank Facilities

The Company's debt includes unsecured and unsubordinated bank facilities with a negative pledge arrangement, which with limited exceptions does not permit the Company to grant security over its assets.

Interest rates payable are determined by prevailing money market rates plus a margin. Interest rates paid for drawn bank facilities ranged from 2.74% to 2.93% for the year ended 31 March 2019 (31 March 2018: Nil as the facilities were not utilised).

Financial Covenants and Other Restrictions

The Trust Deeds, the Deed Poll in respect of the Wholesale Bonds, the USPP Note Purchase Agreement, bank facility agreements and the Negative Pledge Deed Poll require the Company to operate within various defined performance and gearing ratios throughout the term of the debt agreements. These arrangements also create restrictions over the sale and disposal of certain assets. The Note Purchase Agreement relating to the USPP Notes also restricts the Company from granting security over its assets. During the current and prior years, there were no defaults or breaches on any of the debt facilities.

C3. Financial instruments

On 1 April 2018 (the date of initial application of NZ IFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate NZ IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets	Classification under NZ IAS 39	Classification under NZ IFRS 9	NZ IAS 39 carrying amount $000	NZ IFRS 9 carrying amount $000
Cash and cash equivalents	Loans and Receivables	Amortised cost	20,265	20,265
Trade receivables and prepayments	Loans and Receivables	Amortised cost	17,890	17,890

NZ IFRS 9 retains the existing requirements in NZ IAS 39 for the classification and measurement of financial liabilities.

Derivatives and hedging activities

P

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other finance income.

Fair value hedges that qualify for hedge accounting

Changes in the fair value of the the hedging instrument is recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss relating to the effective portion of the interest rate swaps hedging the fixed rate borrowing is recognised profit or loss within other finance income, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss.

As at 31 March 2019, all of the derivative financial instruments held by the group were in designated hedging relationships.

C3. Financial instruments (continued)

The Group has the following derivative financial instruments in hedging relationships:	2019	2018
	$000	$000
Non-current assets		
Cross currency interest rate swaps - cash flow and fair value hedges	2,906	-
Non-current liabilities		
Cross currency interest rate swaps - cash flow and fair value hedges	-	6,239
Interest rate swaps - cash flow hedges	10,922	-
Total	**13,828**	**6,239**

As at 31 March 2019, the Group has interest rate swaps with maturities up to July 2029. The fair value of these derivative financial instruments is calculated based on a discounted cash flow analysis using market prices, observable yield curves and market-quoted foreign exchange rates. The fair value measurement of derivatives is categorised as level 2 within the fair value hierarchy and there were no transfers between levels of the hierarchy during the year ended 31 March 2019 (2018: Nil).

The following amounts comprise other finance income in the statement of comprehensive income:

	2019	2018
	$000	$000
Foreign exchange gain/(loss) on USPP Notes	(6,034)	-
Increase/(decrease) in cross currency interest rate swaps	6,034	-
Increase in fair value of interest rate swaps	-	1,624
Hedge ineffectiveness of interest rate swaps (including cross currency interest rate swaps)	1,058	-
Other finance income	139	259
Other finance income	**1,197**	**1,883**

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into interest rate swaps that have similar critical terms as the hedged item, using this as a basis of assessing the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness.

Hedge ineffectiveness may arise due to credit value/debit value adjustments on the interest rate swaps, and differences in critical terms between the interest rate swaps and loans.

Financial Risk Management

As a result of its business activities, the Group has exposure to the following risks:

- Market risk
- Liquidity risk
- Credit risk

The following paragraphs present information about the Group's exposure to each of the above risks and the Group's management of such exposure.

Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Group's cash flows and earnings.

Interest rate risk (cash flow and fair value)

R

The Group's exposure to market risk from changes in interest rates relates primarily to the loans and borrowings. Loans and borrowings issued at variable interest rates expose the Group to changes in interest rates. The Group's policy is to manage its interest rate exposure by issuing borrowings at fixed interest rates or entering into derivative financial instruments to convert the majority of floating rate exposures to fixed rate. At 31 March 2019, 93.8% (2018: 89.6%) of the borrowings (including the effect of the derivative financial instruments) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year.

	2019	2018
At balance date the interest rate contracts outstanding were:	$000	$000
Interest rate swaps notional value	175,000	100,000
Fair value of interest rate swaps asset/(liability)	(10,922)	(3,188)
Change in fair value of outstanding hedging instruments	(7,734)	-
Change in value of hedged item used to determine hedge effectiveness	8,792	-
Cross currency interest rate swaps notional value	99,491	99,491
Fair value of cross currency interest rate swaps asset/(liability)	2,906	(6,239)
Change in fair value of outstanding hedging instruments	9,145	(6,239)
Change in value of hedged item used to determine hedge effectiveness	(9,145)	6,239

C3. Financial instruments (continued)

Sensitivity analysis for variable rate instruments

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

	2019 100 bp increase $000	2019 100 bp decrease $000	2018 100 bp increase $000	2018 100 bp decrease $000
Impact on profit or loss before taxation				
Floating rate debt	(628)	628	(250)	250
Interest rate swaps & cross currency interest rate swaps	738	(3)	1,770	(1,892)
Net profit or loss sensitivity	**110**	**625**	**1,520**	**(1,642)**
Impact on equity before taxation				
Cross currency interest rate swaps	698	(696)	715	(764)
Interest rate swaps	6,813	(8,255)	-	-
Equity sensitivity	**7,511**	**(8,951)**	**715**	**(764)**

R

Foreign currency risk (cash flow and fair value)
The Group has exposure to foreign currency risk resulting from the issue of USPP Notes. This exposure has been fully hedged by way of cross-currency interest rate swaps, hedging US dollar exposure on both principal and interest. The cross currency interest rate swaps correspond in amount and maturity to the USPP notes with no residual foreign currency risk exposure.

Sensitivity analysis for foreign currency instruments
The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date. At 31 March 2019, had the NZ dollar moved, with all other variables held constant, equity would have been affected as follows. A movement of plus or minus 10% has been determined as plausible based on analysis of historical US dollar to NZ dollar fluctuations over the previous two years to 31 March 2019.

	2019 10% increase $000	2019 10% decrease $000	2018 10% increase $000	2018 10% decrease $000
Impact on equity before taxation				
Cross currency interest rate swaps	(10,686)	13,112	(9,653)	11,799
Equity sensitivity	**(10,686)**	**13,112**	**(9,653)**	**11,799**

Liquidity risk

R

Liquidity risk refers to the potential inability of the Group to meet its financial obligations when they fall due, under normal or abnormal/stressed operating conditions. Liquidity risk is monitored by regularly forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due and support its capital programme, 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 undrawn bank facilities, the spreading of debt maturities and its credit standing in capital markets. As at 31 March 2019, WIAL has a BBB+/Stable/A-2 credit rating from S&P Global Ratings (31 March 2018: BBB+/Stable/A-2).

The arrangements in place as at 31 March 2019 are outlined in the table below.

Bank facilities	Maturity	2019 Facility $000	2019 Drawn $000	2018 Facility $000	2018 Drawn $000
China Construction Bank (New Zealand)	31-Dec-20	15,000	-	15,000	-
Westpac New Zealand	31-Dec-20	30,000	20,000	30,000	-
MUFG Bank, Auckland Branch	30-Jun-22	30,000	30,000	30,000	-
ANZ Bank New Zealand *(Note 3)*	Evergreen	25,000	-	25,000	-
Total		**100,000**	**50,000**	**100,000**	**-**

Note 3 - This Evergreen facility has an indefinite term subject to cancellation by either party. Upon cancellation the facility has a 13 month notice period after the date either party should elect to cancel the facility.

C3. Financial instruments (continued)

The table below categorises 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 table below are disclosed as contractual undiscounted cash flows and include interest through to maturity.

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$000	$000	$000	$000	$000	$000	$000
At 31 March 2019							
Trade and other payables	2,001	2,001	2,001	-	-	-	-
Drawn bank facilities	50,000	50,015	50,015	-	-	-	-
Wholesale bonds	25,000	26,976	659	659	25,659	-	-
Retail bonds	280,000	342,013	6,888	6,888	13,775	178,013	136,450
Total liabilities not in a hedging relationship	**357,001**	**421,005**	**59,563**	**7,547**	**39,434**	**178,013**	**136,450**
USPP Notes	103,938	140,977	1,863	1,863	3,725	11,175	122,351
Cross currency interest rate swaps	(2,906)	8,329	48	48	95	1,508	6,630
Wholesale bonds	25,000	25,200	25,200	-	-	-	-
Interest rate swaps	10,922	7,667	772	873	1,696	3,587	738
Total liabilities in a hedging relationship	**136,954**	**182,173**	**27,883**	**2,784**	**5,516**	**16,270**	**129,719**
At 31 March 2018							
Trade and other payables	1,644	1,644	1,644	-	-	-	-
Wholesale bonds	50,000	54,295	1,059	1,059	26,518	25,659	-
Retail bonds	280,000	355,789	6,888	6,888	13,775	109,294	218,944
Interest rate swaps	3,188	3,970	1,029	1,067	1,203	671	
Total liabilities not in a hedging relationship	**334,832**	**415,698**	**10,620**	**9,014**	**41,496**	**135,624**	**218,944**
USPP Notes	94,482	136,427	1,756	1,756	3,512	10,536	118,867
Cross currency interest rate swaps	6,239	13,471	154	154	421	3,918	8,824
Total liabilities in a hedging relationship	**100,721**	**149,898**	**1,910**	**1,910**	**3,933**	**14,454**	**127,691**

Credit risk

The Group is exposed to credit risk in the normal course of business arising from trade receivables and contract assets with its customers, financial derivatives and transactions (including cash balances) with financial institutions. Maximum exposures to credit risk at 31 March 2019 relate to bank balances of $20.1 million (2018: $21.5 million) and trade receivables and contract assets of $18.1 million (2018: $14.8 million). No security is held for these amounts.

Cash is held with counterparties approved under the Group's Treasury Policy. At 31 March 2019 cash was held with ANZ Bank New Zealand and MUFG Bank, Auckland Branch. Derivative and cash transactions are limited to high credit-quality financial institutions. The Group's exposure and the credit ratings of counterparties are monitored, and the aggregate value of transactions are spread amongst approved counterparties in accordance with the Treasury Policy.

The Group has exposure to various counterparties in the ordinary course of business. Concentration of credit risk with respect to trade receivables and contract assets is concentrated in a small number of accounts because the Group has a limited range of customers. At 31 March 2019, 73% of trade receivables and contract assets were due from the top ten largest debtors (2018: 75%) and 9% of trade receivables were overdue (2018: 16%). The Group actively manages and monitors its accounts receivable on an ongoing basis. The Group is not exposed to any other concentrations of credit risk.

Impairment of financial assets

NZ IFRS 9 replaces the 'incurred loss' model in NZ IAS 39 with an 'expected credit loss' (ECL) model. For the Group, the new ECL model applies to its trade receivables and contract assets. The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses as its financial assets do not include a significant financing component. The simplified approach uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Based on the ECL assessment for trade receivables and contract assets as at 31 March 2019, no material impairment provisioning was required.

D. OTHER NOTES

D1. Subsidiaries

	Balance Date	2019 Holding	2018 Holding	Principal activity	Country of incorporation
WANT Limited	31 March	100%	100%	Noise mitigation	New Zealand
Whare Manaakitanga Limited	31 March	100%	-	Hotel	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 the charge for the current year is approximately 32 cents per passenger. These charges and noise mitigation activities are managed in WANT Limited, a wholly owned subsidiary of WIAL that commenced trading on 1 April 2012. WANT Limited has forecast that it will have predominantly concluded the noise management activities by the end of the financial year ending 31 March 2024 and it is expected that the charges will recover the noise mitigation costs over the period from 1 April 2012 to 31 March 2024.

Whare Manaakitanga Limited was incorporated on 20 April 2018 to operate WIAL's new airport hotel which opened for customers on 12 February 2019.

D2. Related parties

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

	Revenue/(expense) for the year ended 31 March		Balance receivable/(payable) as at 31 March	
Transactions made during the period	**2019**	**2018**	**2019**	**2018**
Infratil and its subsidiaries	**$000**	**$000**	**$000**	**$000**
Infratil Group - subvention payments	(40,463)	(37,937)	-	-
Cityline NZ Limited - Airport Flyer Bus concessions	239	277	25	21
Infratil Limited - Insurance and other costs	(94)	(96)	-	-
H.R.L. Morrison & Co Limited				
Directors' fees	(329)	(288)	(195)	(134)
Consulting and other fees	(13)	(18)	-	(3)
Wellington City Council				
Dividend payment	(12,610)	(11,937)	-	-
Directors' fees	(77)	(68)	-	-
Rates	(3,339)	(3,066)	-	-
Grants	-	1,743	-	-
Consents and compliance costs	(15)	(394)	-	-

Other related party transactions

Under NZ IAS 24, the related parties of the Group include all key management personnel and directors. Transactions with key management personnel and directors fees are disclosed under note A4.

D3. Financial commitments

Capital commitments	2019 $000	2018 $000
Contracted but not provided for	**12,340**	**41,188**

The commitments contracted but not provided for includes terminal upgrades, hotel and transport capital works.

Other commitments

In addition to the above commitments, WIAL is actively seeking to purchase the former Miramar South School site from the Crown under the Public Works Act 1981.

Lease commitments

Lease commitments to the Group

The Group owns investment properties and other properties, plant and equipment which are leased to earn property income. The future minimum lease payments under non-cancellable leases are receivable as follows:

	2019 $000	2018 $000
Between 0 to 1 year	19,396	20,521
Between 1 to 2 years	17,138	16,418
Between 2 to 5 years	32,523	36,893
More than 5 years	5,705	8,106
Total lease commitments to the Group	**74,762**	**81,938**

Lease commitments of the Group

The Group 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 future minimum lease payments under non-cancellable leases are payable as follows:

	2019 $000	2018 $000
Between 0 to 1 year	834	906
Between 1 to 2 years	764	805
Between 2 to 5 years	1,443	2,137
More than 5 years	1,160	1,230
Total lease commitments of the Group	**4,201**	**5,078**

D4. Contingency and subsequent events

There were no contingent liabilities at 31 March 2019 (2018: nil).

On 18 March 2019 WIAL announced a retail bond issue of up to $100 million. These bonds were issued in order to repay $25 million of wholesale bonds maturing on 17 June 2019 and to fund ongoing capital investment. The offer closed on 22 March 2019 with $100 million in new bonds allotted. The bonds were subsequently issued on 1 April 2019.
There were no other events subsequent to 31 March 2019 to the date these financial statements are signed requiring adjustment or disclosure in the annual report.

D5. Changes in financial reporting standards

The following new standards, amendments to standards and interpretations are issued but not yet effective and have not been applied in preparation of these consolidated financial statements.

NZ IFRS 16 Leases removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The impact of the standard has the effect of taking the current leases that the Group are committed to (as disclosed in note D3 above) and recognising these as leased assets and liabilities in the consolidated statement of financial position. A number of the leases have a renewal period of 21 years when the current lease terms end and were these to be renewed by at least one 21 year period, it is estimated the commitments would be approximately $10.6 million.

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	Creative Capital Arts Trust	Chairman
	MCL Capital Limited	Chairman
	MCL Capital No. 1 Limited	Chairman
	Mana Capital Holdings Limited	Director
	New Zealand Opera Limited	Director
	North West Auckland Airport Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Jason Boyes	New Zealand Bus Company Finance Limited	Director
	New Zealand Bus Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Wayne Eagleson	Wayne Eagleson Consulting Limited	Director
(Independent Director -	Thompson Lewis Limited	Consulting Partner
appointed 1 Jan 2019)	Royal Wellington Golf Club	Committee Member
Andrew Foster	Wellington City Council	Councillor
Alison Gerry	Sharesies Limited	Chair
	Asteron Life Limited	Director
	Avokaha Limited	Director
	Lindis Crossing Vineyard Limited	Director
	Glendora Avocados Limited	Director
	Glendora Holdings Limited	Director
	Infratil Limited	Director
	On Being Bold Limited	Director
	Spark New Zealand Limited	Director
	Vero Insurance New Zealand Limited	Director
	Vero Liability Insurance New Zealand Limited	Director
Keith Sutton	Tasman Farms Limited	Chairman
(Independent Director - retired	Tasmanian Land Company Limited	Chairman
31 December 2018)	The Van Diemen's Land Company	Governor
	Eastland Group Limited	Director
	Eastland Port Limited	Director
	Eastland Network Limited	Director
	Gisborne Airport Limited	Director
	Gough Group Limited	Director
	Rural Livestock Limited	Director
	Sutton McCarthy Limited	Director
	Te Tumu Paeroa Advisory Board	Member
Phillip Walker	Perth Airport Pty Limited	Director
	Perth Airport Development Group Pty Limited	Director
	PAPT Holdings Pty Limited	Director
	PAPT Nominees Pty Limited	Director
	Queensland Airport Ltd	Alternate Director
	Gold Coast Airport Pty Ltd	Alternate Director
	Townsville Airport Pty Ltd	Alternate Director
	Mount Isa Airport Pty Ltd	Alternate Director
	Longreach Airport Pty Ltd	Alternate Director
	H.R.L. Morrison & Co Limited	Executive

Remuneration of Directors

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

Director name	Fees paid and payable to directors during the year	Annualised rate at end of the year
Timothy Brown (Chairman)	$165,349	$174,500
Jason Boyes	$77,908	$87,250
Keith Sutton	$68,467	$-
Andrew Foster	$78,099	$87,250
Alison Gerry	$102,700	$102,700
Phillip Walker	$88,399	$97,550
Wayne Eagleson	$25,675	$102,700

The Directors received no other remuneration or benefits for services in that office or in any other capacity other than as disclosed in Note D2.

Entries in the interest register

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

	Beneficial Interest	Non Beneficial Interest
Retail Bonds		
Timothy Brown	$100,000	-
Keith Sutton	-	$3,000,000

Loans to Directors

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

Use of Group information

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

Directors' indemnity insurance

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

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 WIAL, 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	10
$110,001 to $120,000	5
$120,001 to $130,000	3
$130,001 to $140,000	2
$150,001 to $160,000	2
$160,001 to $170,000	2
$170,001 to $180,000	4
$180,001 to $190,000	2
$190,001 to $200,000	2
$210,001 to $220,000	2
$270,001 to $280,000	1
$280,001 to $290,000	1
$320,001 to $330,000	1
$330,001 to $340,000	1
$350,001 to $360,000	1
$380,001 to $390,000	1
$840,001 to $850,000	1

In accordance with section 211(1)(g) of the Companies Act 1993, the remuneration above does not include unpaid amounts in relation to Executive long term incentive schemes, which are outlined in note A4.

Diversity of personnel

The Group recognises the value of a diverse and skilled workforce and is committed to maintaining an inclusive and collaborative workplace culture. Diversity is a key influence in the selection and promotion of employees and executives, and for the composition of the Board.

At 31 March 2019, the WIAL Board consisted of five male Directors and one female Director (31 March 2018: five male Directors and one female Director), and the Executive consisted of six male Executives and two female Executives (31 March 2018: six male Executives and two female Executives).

CORPORATE GOVERNANCE

Role of the Board

The Board of Directors of WIAL is appointed by the shareholders to supervise the management of WIAL. The Board establishes WIAL's objectives, overall policy framework within which the business 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 actively engages with the Health and Safety Risk Committee by attending meetings. The Committee is accountable to the Board with its purpose being to promote and execute a safety culture. The Committee provides a formal mechanism for consultation on safety issues whilst ensuring continuous measurement, review and improvement of safety policies and procedures with the goal of zero harm and meeting compliance requirements on an ongoing basis.

Board Membership

The Board currently comprises six non-executive Directors.

Infratil, as the majority shareholder of WIAL, appointed four of the current Directors. The two remaining Board members have been appointed by the Wellington City Council, including W Eagleson, an independent director.

During the period under review, the Board met seven times.

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 four Directors, A Gerry (Chair), T Brown, W Eagleson and P Walker with attendances by appropriate WIAL 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 Group's governance processes including assessing the adequacy of the Group's:
  - financial reporting;
  - regulatory disclosure reporting;
  - accounting policies;
  - financial management;
  - internal control system;
  - procurement process controls;
  - risk management system;
  - oversight of Group operational risk;
  - systems for protecting Group assets;
  - related party transactions; and
  - compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial and non-financial disclosures.
- Enhance the efficiency of the Board by allowing delegated issues to be discussed in sufficient depth and, where necessary, with appropriate independent advice.
- Review management's letters of representation.
- Ensure the adequacy of the internal control system for financial reporting integrity.
- Facilitate the continuing independence of the external and internal auditors and enhancing the effectiveness of external and internal
- Provide a formal forum for enhancing communication between the Board, senior financial management and external and internal
- Provide oversight of WIAL's risks to ensure they are identified, managed, treated and reported appropriately.

The Audit and Risk Committee also has oversight of the following treasury management matters:

- review and recommend to the Board any changes to the treasury management policy;
- oversee the development of the strategy to implement the treasury management policy;
- recommend to the Board instrument types that may be used; and
- recommend to the Board bank counterparties and counterparty limits.

CORPORATE GOVERNANCE (continued)

Remuneration Committee

The Board has established a Remuneration Committee comprising of two Directors, T Brown (Chairman) and W Eagleson with attendances by appropriate WIAL representatives. The purpose of the Committee is to consider changes to human resources policy and to regularly review, and recommend changes to, executive remuneration to ensure that it is at an appropriate level and effectively managed.

Internal Financial Control

The Board has overall responsibility for the Group'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 Group's financial statements present a true and fair view, in all material respects, of the Group'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 (NZ 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 the Group's assets and to identify, assess, monitor and manage risk, and identify material changes to the Group's risk profile.

Directors' and Officers' Insurance

The Group has arranged Directors' and Officers' liability insurance covering Directors acting on behalf of the Group. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for the Group. 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 Group, improper use of information to the detriment of the Group 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 availability of further funding and making further enquiries as considered appropriate, the Directors are satisfied that the Group 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 Group's state of affairs. Information is communicated to shareholders and other stakeholders in the annual report, interim report and media releases.

Corporate Governance Best Practice Code

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

FIVE YEAR SUMMARY & STATISTICS

WIAL AIRPORT STATISTICS

	2019	2018	2017	2016	2015
Passenger movements	**000**	**000**	**000**	**000**	**000**
Domestic	5,488	5,249	5,076	4,899	4,682
International	929	896	889	897	775
Total	**6,417**	**6,145**	**5,965**	**5,796**	**5,457**

Aircraft movements	**2019**	**2018**	**2017**	**2016**	**2015**
Domestic	77,483	77,515	78,496	79,541	78,448
International	6,449	6,293	6,554	6,523	5,526
Military, freight, private and other movements	11,170	11,318	9,764	10,985	9,232
Total	**95,102**	**95,126**	**94,814**	**97,049**	**93,206**

Number of employees	**2019**	**2018**	**2017**	**2016**	**2015**
FTE	120	107	99	94	94

WIAL CONSOLIDATED FINANCIAL RESULTS

	2019	2018	2017	2016	2015
Summary of financial position	**$000**	**$000**	**$000**	**$000**	**$000**
Non-current assets	1,216,550	1,146,146	1,000,217	938,926	805,327
Current assets	43,943	40,885	85,470	20,221	36,175
Total assets	**1,260,493**	**1,187,031**	**1,085,687**	**959,147**	**841,502**
Non-current liabilities	541,875	560,846	447,471	421,087	376,442
Current liabilities	114,952	40,919	125,356	31,420	26,952
Total liabilities	**656,827**	**601,765**	**572,827**	**452,507**	**403,394**
Net assets/Shareholders' equity	**603,666**	**585,266**	**512,860**	**506,640**	**438,108**

	2019	2018	2017	2016	2015
Summary of profit and loss	**$000**	**$000**	**$000**	**$000**	**$000**
Revenue	137,889	128,637	119,563	113,510	108,310
Operating expenses (excluding subvention payment)	(36,504)	(33,222)	(29,019)	(27,369)	(26,202)
EBITDAF before subvention payment	**101,385**	**95,415**	**90,544**	**86,141**	**82,108**
Net profit after taxation	**23,541**	**24,681**	**16,098**	**12,523**	**9,676**

Independent Auditor's Report

To the shareholders of Wellington International Airport Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Wellington International Airport Limited (the company) and its subsidiaries (the Group) on pages 3 to 22:

i. present fairly in all material respects the Group's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2019;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to regulatory reporting and taxation compliance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,500,000 determined with reference to a benchmark of adjusted group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Valuation of property, plant and equipment recorded at fair value	

As disclosed in note B1 of the financial statements, the group has land, buildings and civil assets recorded at fair value of $1,053,517,000 (2018: $912,479,000). The group has a policy of having the assets revalued at least every 5 years by an independent valuer. The last full external revaluation of land and buildings was carried out as at 31 March 2018. The last independent valuation of civil works was carried out as at 31 March 2016.
 	
Valuation of property, plant and equipment is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and due to the judgment involved in the assessment of the fair value of these assets by the Group's Directors. The judgment relates to the valuation methodology used and the assumptions used in each of those methodologies. The valuation methodology estimates the cost of building the airport in its current location to the specification required to provide its current services, and the business value of the existing vehicle assets.
 	
In 2019 Management have considered, and sought input from the independent valuers as to, any changes to the key assumptions used in the valuation methodologies and whether these changes indicate that the property, plant and equipment is not held at fair value.
 	
The assumptions that have the largest impact on the valuations are:
 	
• The potential value of the airport land if there was no airport on the site primarily driven by weighted average cost of capital;
• The replacement cost of buildings including the main terminal building;
• The replacement cost of civil assets including the runway, taxiways and roads;
• The estimated future cash flows and expected rate of return from the vehicle assets.
	Our procedures to assess the fair value of property, plant and equipment included, amongst others:
	
	• Assessing the competence, independence and objectivity of each valuer used by the Group to determine changes in key assumptions used to value the airport assets;
	• In conjunction with our valuation specialists assessing the changes in key assumptions in the valuations which are judgemental in nature and which have the largest impact on the value of property, plant and equipment. This comprised assessing;
	  ▪ changes to the weighted average cost of capital against observable market data
	  ▪ changes in the cost of buildings and civil assets;
	  ▪ changes in the value of underlying land prices with reference to observable market transactions and relevant indices; and
	  ▪ the future cash flows against approved budgets and historical financial performance.
	• Comparing the valuation methodologies used by the valuer for the Group, to the valuation methodologies used by other airports within New Zealand for comparability.

The key audit matter	How the matter was addressed in our audit
Valuation of investment property	

As disclosed in note B2 of the consolidated financial statements, the group has investment property of $86,615,000 (2018: $81,861,000). The Group is required under accounting standards to fair value investment property.
 	
Valuation of investment property is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and due to the judgement involved in the assessment of the fair value of these assets by the Group's Directors. These judgments include weighted average cost of capital, weighted average income capitalisation rate and weighted average lease term.
	Our procedures to assess the fair value of investment property included amongst other:
	
	• Assessing the competence, independence and objectivity of the valuer used by the Group to determine the value of the investment property;
	• In conjunction with our valuation specialists assessing the changes in key assumptions in the valuations which are judgemental in nature and which have the largest impact on the value of investment property. This comprised assessing;
	  ▪ Changes to the weighted average cost of capital against observable market data;
	  ▪ Agreeing a sample of income streams generated by the investment property to underlying contracts;
	  ▪ Confirming the remaining tenure of leases used in the valuation; and,
	  ▪ Comparing lease yields to other comparable market transactions within the region.
	• Comparing the valuation methodology used by the Group, to the valuation methodology used for other investment property valuations within New Zealand and ensuring they are comparable.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the directors' report, statutory information, five year summary and statistics and corporate governance policies. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG

KPMG
Wellington

15 May 2019