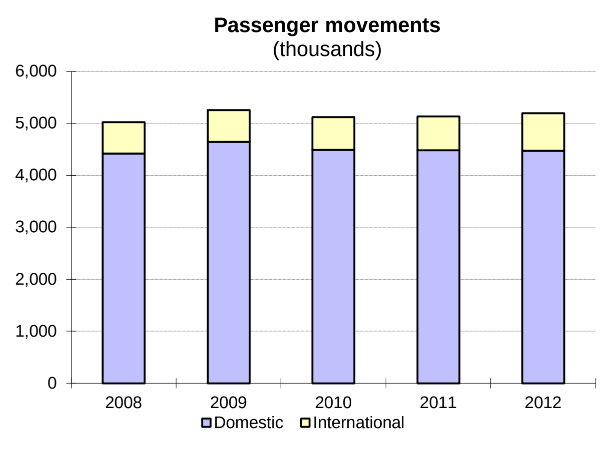
Annual Report

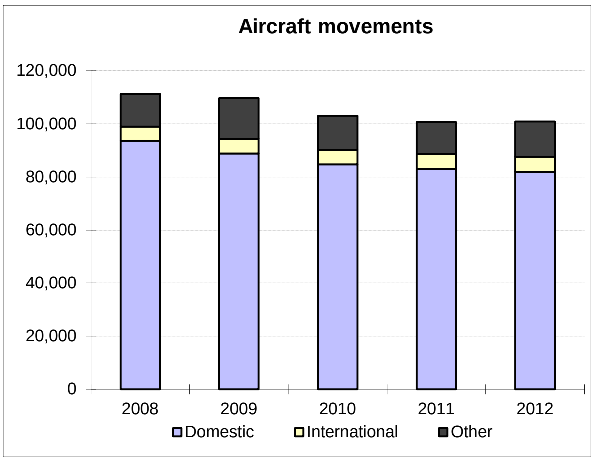
WELLINGTON INTERNATIONAL AIRPORT LIMITED (WIAL)

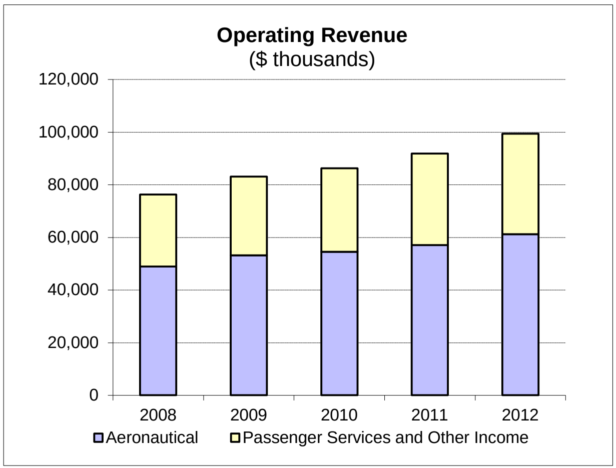
Consolidated Annual Report

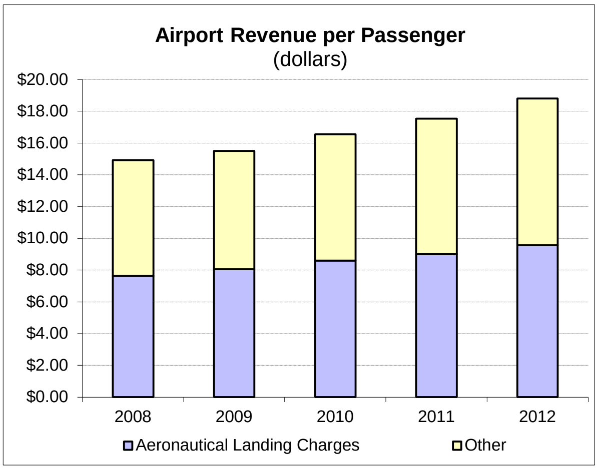
For the Year Ended **31 March 2012**

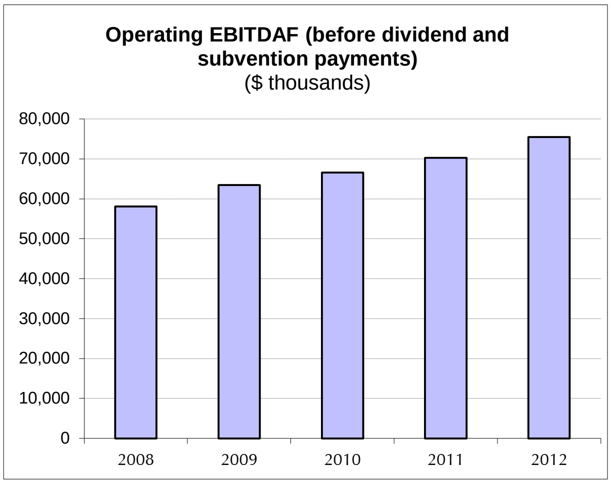
2008 to 2012: FIVE YEAR SUMMARY

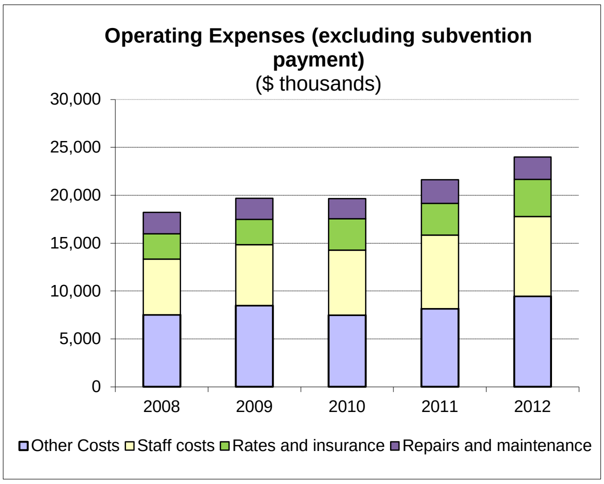


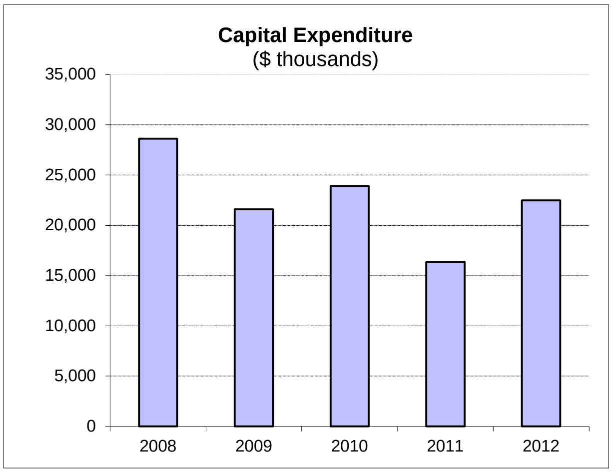


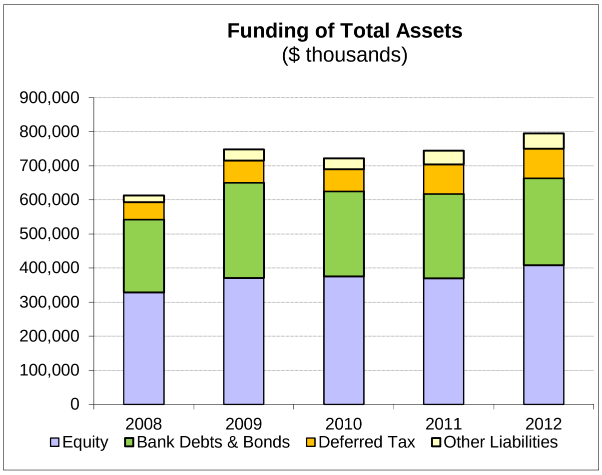












DIRECTORS' REPORT

The Directors have pleasure in presenting to shareholders their twenty-second annual report for Wellington International Airport Limited (WIAL) for the year ended 31 March 2012.

Directors

The Directors of WIAL during the year were:

- David Newman, Chairman
- Kevin Baker (resigned 18 May 2011)
- Timothy Brown
- Peter Coman (appointed 18 May 2011)
- Steven Fitzgerald
- Ian McKinnon
- Keith Sutton

Company's Affairs and Nature of Business

WIAL provides airport facilities and services to various airlines and airport users. During the year WIAL sold its wholly owned subsidiary, iSite Limited, to Infratil Outdoor Media Limited. As a result of this sale, WIAL is no longer comprises a group for financial reporting purposes and is no longer required to prepare a consolidated annual 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 and Dividends

Total revenue for the year was $99.5 million. The profit after taxation amounted to $3.8 million, after the payment of a $30.1 million subvention payment to a subsidiary of Infratil Limited.

During the year ended 31 March 2012 a dividend of $9.1 million was paid to Wellington City Council. During the year, WIAL also made a special dividend payment to a subsidiary of Infratil Limited of $26.4 million and a special dividend payment to the Wellington City Council of $13.6 million.

Retained Earnings Reserve

The total increase in equity for the year, being the total recognised revenues net of expenses less dividends paid was $39.0 million. The retained earnings reserve at 31 March 2012 totalled $77.1 million.

Revaluation Reserves

The total revaluation reserve at 31 March 2012 was $322.5 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.

David Newman
Chairman
11 May 2012

Keith Sutton
Director
11 May 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 $000	2011 $000
Landing and terminal charges		49,663	46,207
International departure fees		7,343	6,746
Property rent and lease income		10,877	10,777
Retail and trading activities		31,584	28,895
Total revenue		**99,467**	**92,625**
Operating expenses	4	(15,667)	(14,631)
Subvention payment	18	(30,137)	(27,245)
Employee remuneration and benefits		(8,335)	(7,689)
Total operating expenditure		**(54,139)**	**(49,565)**
Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF)		**45,328**	**43,060**
Investment property revaluation increase	11	922	207
Property, plant and equipment revaluation decrease		-	(213)
Depreciation	10	(17,553)	(14,403)
(Loss)/gain on sale of property, plant and equipment		(3)	2
Operating earnings before interest and financing expense		**28,694**	**28,653**
Interest income		336	652
Interest expense		(19,439)	(17,577)
Amortisation of fair value of ineffective hedges transferred from equity	13	(4,380)	(6,149)
Decrease in value of financial instruments designated at fair value through profit or loss	13	(5,198)	(6,372)
Net financing expense		**(28,681)**	**(29,446)**
Net surplus/(loss) before taxation		**13**	**(793)**
Taxation income		3,836	2,721
Taxation income reduction in tax rate from 30% to 28%		-	3,308
Taxation expense removal of tax depreciation on buildings		-	(24,339)
Total taxation income/(expense)	**8**	**3,836**	**(18,310)**
Net surplus/(loss)		**3,849**	**(19,103)**
Other comprehensive income			
Revaluation of land		74,270	81
Revaluation of property, plant and equipment		9,338	20,427
Amortisation of fair value of ineffective hedges transferred to profit or loss		4,380	6,149
Income tax relating to components of other comprehensive income	8	(3,840)	(5,102)
Other comprehensive income, net of tax		**84,148**	**21,555**
Total comprehensive income		**87,997**	**2,452**

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 2012

	Notes	Capital $000	Revaluation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Company				
Balance as at 1 April 2011		9,075	241,477	(3,605)	122,344	369,291
Total comprehensive income						
Net surplus		-	-	-	3,849	3,849
Other comprehensive income						
Revaluation of land		-	74,270	-	-	74,270
Revaluation of property, plant and equipment, net of deferred taxation		-	6,724	-	-	6,724
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of deferred taxation		-	-	3,154	-	3,154
Total other comprehensive income		**-**	**80,994**	**3,154**	**-**	**84,148**
Total comprehensive income		**-**	**80,994**	**3,154**	**3,849**	**87,997**
Contributions by and distributions to owners						
Executive share scheme		22	-	-	-	22
Dividends to equity holders		-	-	-	(49,061)	(49,061)
Total contributions by and distributions to owners		**22**	**-**	**-**	**(49,061)**	**(49,039)**
Balance at 31 March 2012	9	**9,097**	**322,471**	**(451)**	**77,132**	**408,249**

	Notes	Capital $000	Revaluation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Company				
Balance as at 1 April 2010		9,057	224,126	(7,809)	149,788	375,162
Total comprehensive income						
Net loss		-	-	-	(19,103)	(19,103)
Other comprehensive income						
Revaluation of land		-	81	-	-	81
Revaluation of property, plant and equipment, net of deferred taxation		-	14,299	-	-	14,299
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of deferred taxation		-	-	4,304	-	4,304
Reduction in tax rate from 30% to 28%		-	2,971	(100)	-	2,871
Total other comprehensive income		**-**	**17,351**	**4,204**	**-**	**21,555**
Total comprehensive income		**-**	**17,351**	**4,204**	**(19,103)**	**2,452**
Contributions by and distributions to owners						
Executive share scheme		18	-	-	-	18
Dividends to equity holders		-	-	-	(8,341)	(8,341)
Total contributions by and distributions to owners		**18**	**-**	**-**	**(8,341)**	**(8,323)**
Balance at 31 March 2011	9	**9,075**	**241,477**	**(3,605)**	**122,344**	**369,291**

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 2012

	Notes	2012 $000	2011 $000
Cash and cash equivalents	7	2,731	32,338
Trade receivable	13	9,121	8,957
Prepayments and sundry receivables		1,328	1,036
Current assets		**13,180**	**42,331**
Property, plant and equipment	10	731,648	643,119
Investment properties	11	49,855	48,921
Investment in subsidiary	12	-	10,096
Non current assets		**781,503**	**702,136**
Total assets		**794,683**	**744,467**
Accounts payable		1,952	1,400
Taxation payable		12,999	12,408
Accruals and other liabilities		9,426	11,170
Accrued employee benefits	14	1,214	1,175
Current liabilities		**25,591**	**26,153**
Bank debt	5	6,776	-
Long term bonds	6	248,732	248,299
Deferred taxation liability	8	85,910	86,497
Fair value of derivatives	13	19,425	14,227
Non current liabilities		**360,843**	**349,023**
Attributable to shareholders of the Company		408,249	369,291
Total equity		**408,249**	**369,291**
Total equity and liabilities		**794,683**	**744,467**

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

On behalf of the Board.

David Newman
Chairman
11 May 2012

Keith Sutton
Director
11 May 2012

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 $000	2011 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		99,286	90,895
Interest received		336	652
		99,622	**91,547**
Cash was disbursed to:			
Payments to suppliers and employees		(25,359)	(20,870)
Subvention payment	18	(30,137)	(27,245)
Interest paid		(19,599)	(18,632)
		(75,095)	**(66,747)**
Net cash flows from operating activities	16	**24,527**	**24,800**
Cash flows from investing activities			
Cash was provided from:			
Repayment of advance to subsidiary		-	692
Proceeds from sale of property, plant and equipment		-	2
Proceeds from sale of investment in subsidiary		10,096	-
		10,096	**694**
Cash was disbursed to:			
Purchase of property, plant and equipment		(22,169)	(15,324)
Net cash flows from investing activities		**(12,073)**	**(14,630)**
Cash flows from financing activities			
Cash was provided from:			
Drawdown of loans	5	7,000	-
		7,000	**-**
Cash was disbursed to:			
Dividends paid	18	(49,061)	(8,341)
		(49,061)	**(8,341)**
Net cash flows from financing activities		**(42,061)**	**(8,341)**
Net (decrease)/increase in cash and cash equivalents		(29,607)	1,829
Cash and cash equivalents balance at the beginning of the year		32,338	30,509
Cash and cash equivalents balance at the end of the year		**2,731**	**32,338**

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 2012

(1) Accounting policies

(a) Reporting entity
Wellington International Airport Limited ("WIAL" 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.

Following the sale of iSite Limited, WIAL's 100% subsidiary, to Infratil Outdoor Media Limited on 29 July 2011, WIAL has no operating subsidiary companies. As a result consolidated financial statements have not been prepared as the group and parent company financial statements are the same. These audited financial statements have been prepared on a Company basis and prior year comparatives show Company operations only.

The financial statements of the Company are for the year ended 31 March 2012. The financial statements were approved by the Board of Directors on 11 May 2012.

(b) Basis of preparation

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

The financial statements for WIAL are presented as at and for the year ended 31 March 2012.

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 comply with IFRS.

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 Company'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 Company's property, plant and equipment is fair value by independent valuers where WIAL does not have the internal expertise, or cost. 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. In respect to assets held at cost, judgements must be made about whether costs incurred relate to bringing an asset to it's working condition for it's 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 materially 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 at 31 March 2011 are disclosed in Note 10.

Valuation of investment properties
The Company revalues its investment properties to fair value each year. The fair value of investment properties is estimated by an independent valuer which reflects market conditions at balance date. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of the investment properties. The carrying value of the investment properties and the valuation methodology applied are disclosed in Note 11.

Derivatives
Derivatives are classified as financial assets or financial liabilities at fair value and gains or losses are directly recognised 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 Company to hedge risk exposures. Derivative valuations are based on market information and prices. The carrying value of derivatives and the valuation methodology applied are disclosed in Note 13.

(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. Property, plant and equipment that are revalued, are revalued to their fair value determined by an independent valuation, in accordance with NZ IAS 16: Property, Plant and Equipment. 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, as required by NZ IAS 16. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

Land, buildings and civil works assets are measured at fair value. 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 works is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of land, buildings, leasehold improvements and civil works is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

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

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

(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 property is measured at fair value with any change therein recognised in profit or loss.

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

(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 Company 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 financial position 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend. Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity or in other comprehensive income, in which case the deferred tax or current tax is also recognised directly in equity or in statement of comprehensive income.

(i) Derivative financial instruments

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

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

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

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, as cash flow hedges. At the inception of the hedge relationship the Company 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 Company documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

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

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

(j) Impairment of assets

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

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

Reversals of impairment

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

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

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

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

(l) 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.

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

(n) 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 Company's activities.

Airport related revenues
Airfield income, the passenger services charge and the terminal service charge are recognised as revenue when 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 related 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.

(o) Cash
Cash comprises cash on hand, cash in banks and investments in money market instruments and form an integral part of the Company's cash management. Bank overdrafts are shown in bank debt in current liabilities in the statement of financial position.

(p) 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.

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

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

(s) New standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2011, but are either not currently relevant or do not result in material accounting or disclosure changes for the Company:

- NZ IFRS 1 (improvements), Additional exemptions for first-time adopters.
- NZ IFRS 3 (improvements), Business combinations: scope exemption.
- NZ IFRS 7 Disclosures (improvements), Financial instruments.
- NZ IAS 24 (revised), Related party disclosures.
- NZ IAS 26, Accounting and reporting by retirement benefit plans.
- NZ IFRIC 13, Customer loyalty programmes.
- NZ IFRIC 14, Repayments of a minimum funding requirement.

The following amendment to standards and interpretations has been issued and whilst not effective for the financial year beginning 1 April 2011 has been applied in preparing these financial statements:

- Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards *(Harmonisation Amendments)*. This amendment has no material effect on the financial statements of the Company.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

(t) 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 (s).

(2) Nature of business

The Company 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, international departure fees, property leases, retail and trading income. The Company is a limited liability company incorporated and domiciled in New Zealand.

(3) Discontinued operations

On 29 July 2011, the Company sold its 100% owned subsidiary iSite Limited, its advertising business segment, to Infratil Outdoor Media Limited (a related party) following a strategic decision to focus on the Company's core operations, being airport and related operations. The sale price was $10.096 million.

Following the sale, the Company is no longer required to prepare consolidated group financial statements as the consolidated group no longer exists.

If the Company had been required to prepare consolidated group financial statements for the period ended 31 March 2012, the consolidated group financial statements would have disclosed the financial effects of the discontinued operations in the consolidated group statement of comprehensive income. There is no gain or loss on the sale of iSite Limited in the Company's financial statements, as the sale price including costs to sell were equal to the carrying amount. The disclosures below reflect the financial effects of the discontinued operations on the consolidated group results, had these been disclosed in the consolidated group statements of comprehensive income and cash flows.

	2012 $000	2011 $000
Results of discontinued operation		
Revenue	10,286	22,838
Expenses	(8,822)	(20,859)
Results from operating activities	1,464	1,979
Depreciation, amortisation, (loss)/gain on sale of fixed assets and impairment	(293)	(1,341)
Interest expense	(131)	(419)
Net surplus before taxation	**1,040**	**219**
Income tax	(177)	(45)
Net surplus for the period	**863**	**174**

	2012 $000	2011 $000
Cash flows from/(used in) discontinued operation		
Net cash from operating activities	819	2,073
Net cash used in investing activities	(178)	(990)
Net cash from investing activities (sale proceeds received by the Company)	10,096	-
Net cash from investing activities (cash and bank debt disposed of)	5,333	-
Net cash flows for the period	16,070	1,083

	2012 $000
Impact of disposal on the financial position of the Group	
Cash	(2,841)
Trade receivables	(3,168)
Prepayments and sundry receivables	(373)
Property, plant and equipment	(944)
Intangible assets	(197)
Total assets	(7,523)
Bank debt	8,174
Accounts payable	3,165
Taxation payable	475
Accruals and other liabilities	987
Deferred taxation liabilities/(assets)	(402)
Total liabilities	12,399
Net liabilities	4,876
Consideration received, satisfied in cash	10,096
Cash and cash equivalent disposed of	5,333
Net cash inflow	15,429

(4) Operating expenses

	2012 $000	2011 $000
Fees paid to auditors:		
Audit fees	78	93
Taxation compliance services	44	51
Other assurance services	48	-
Donations	69	242
Directors' fees	257	238
Regulatory compliance and statutory consultation	651	622
Marketing and development	1,464	905
Cleaning and energy	1,652	1,743
Rates	1,878	1,572
Insurance	1,980	1,716
Repairs and maintenance	2,352	2,470
Operating lease expenses	822	786
Administration and other expenses	4,372	4,193
Total operating expenses	**15,667**	**14,631**

Other assurance services comprise fees paid in relation to regulatory disclosures required by the Commerce Commission. These disclosures include the Company's Annual Information Disclosures for the year ended 31 March 2011 and the Price Setting Event Disclosures for the period 1 July 2007 to 31 March 2012.

(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 Company's exposure to interest rate and foreign currency risk, see Note 13: Financial instruments.

	2012 $000	2011 $000
Non-current liabilities		
Bank credit facility	7,000	-
Less facility fees to be expensed	(224)	-
Total bank credit facility	**6,776**	**-**
Facilities utilised at reporting date		
Unsecured bank credit facilities	7,000	-
Facilities not utilised at reporting date		
Unsecured bank credit facilities	83,000	77,000

Financing arrangements
The Company's debt includes bank facilities with negative pledge arrangements, which with limited exceptions do not permit the borrower to grant any security over its assets. The 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. Throughout the year the Company has complied with all debt covenant requirements as imposed by lenders.

Financing arrangements - standby facilities
At year end, the Company had unsecured bank debt facilities of $90.0 million (2011: $77.0 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 4.11% to 4.28% (2011: nil - the Company did not utilise the standby facilities during the year).

(6) Bonds

	2012 $000	2011 $000
Retail bonds maturing in November 2013, fixed 7.50% p.a.	100,000	100,000
Less transaction costs from issue still to be expensed	(532)	(848)
Total retail bonds	**99,468**	**99,152**
Wholesale bonds maturing August 2017, 2.97% per annum to 2 May 2012, then repriced quarterly at BKBM plus 25bp	150,000	150,000
Less transaction costs from issue still to be expensed	(736)	(853)
Total wholesale bonds	**149,264**	**149,147**
Balance at the end of the year	**248,732**	**248,299**

At 31 March 2012, the bonds had a fair value of $256.1 million (2011: $253.3 million).

The Trust Deeds for the bonds require the Company 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. Throughout the year the Company complied with its debt covenants.

(7) Cash and cash equivalents

	2012 $000	2011 $000
Bank balances	351	538
Call and short term deposits	2,380	31,800
Total cash and cash equivalents	**2,731**	**32,338**

(8) Taxation

	2012 $000	2011 $000
Net surplus/(loss) before taxation	13	(793)
Taxation for the year at 28% (2011: 30%)	4	(238)
Subvention payment made in respect to prior period	8,438	8,174
Taxation effect on non deductible expenses	39	8
Reduction in tax rate from 30% to 28%	-	(3,308)
Deferred tax adjustments for building depreciation rate change	-	24,339
Prior period adjustment	86	-
Loss offset	(3,505)	(2,629)
Over provision in prior years	(8,898)	(8,036)
Taxation (income)/expense	**(3,836)**	**18,310**
Current taxation	591	1,541
Deferred taxation	(4,427)	16,769
Taxation (income)/expense	**(3,836)**	**18,310**

Income tax recognised in other comprehensive income

	2012			2011		
	Before tax $000	Tax (expense)/ benefit $000	Net of tax $000	Before tax $000	Tax (expense)/ benefit $000	Net of tax $000
Amortisation of fair value of ineffective hedges transferred to profit or loss	4,380	(1,226)	3,154	6,149	(1,845)	4,304
Reduction in tax rate from 30% to 28%	-	-	-	-	2,871	2,871
Net change in fair value of property, plant and equipment recognised in equity	9,338	(2,614)	6,724	20,427	(6,128)	14,299
Balance at the end of the year	**13,718**	**(3,840)**	**9,878**	**26,576**	**(5,102)**	**21,474**

(8) Taxation (continued)

Deferred tax

	2012 $000	2011 $000
Balance at the beginning of the year	86,497	64,626
Credit for the year	(4,427)	(4,262)
Effect of change in tax rate from 30% to 28% on deferred tax - expense	-	(3,308)
Deferred tax adjustment for buildings	-	24,339
Deferred tax recognised in equity	3,840	7,973
Effect of change in tax rate from 30% to 28% on deferred tax - equity	-	(2,871)
Balance at the end of the year	**85,910**	**86,497**

Recognised deferred tax assets and liabilities

		2012			2011	
	Assets $000	**Liabilities $000**	**Net $000**	Assets $000	Liabilities $000	Net $000
Property, plant and equipment	-	(87,612)	(87,612)	-	(87,080)	(87,080)
Investment properties	-	(4,958)	(4,958)	-	(4,503)	(4,503)
Derivatives	6,430	-	6,430	4,906	-	4,906
Employee benefits accrued	252	-	252	241	-	241
Financial assets at fair value through profit or loss	-	(28)	(28)	-	(61)	(61)
Other items	6	-	6	-	-	-
Net tax assets/(liabilities)	**6,688**	**(92,598)**	**(85,910)**	**5,147**	**(91,644)**	**(86,497)**

Movement in temporary differences during the year

	Balance 31-3-11 $000	**Recognised in Earnings $000**	**Equity $000**	**Balance 31-3-12 $000**
Assets:				
Property, plant and equipment	(87,080)	2,082	(2,614)	(87,612)
Investment properties	(4,503)	(455)		(4,958)
Financial assets at fair value through profit or loss	(61)	33	-	(28)
Liabilities:				
Employee benefits accrued	241	11	-	252
Derivatives	4,906	2,750	(1,226)	6,430
Other items	-	6	-	6
	(86,497)	**4,427**	**(3,840)**	**(85,910)**

	Balance 31-3-10 $000	**Recognised in Earnings $000**	**Equity $000**	**Balance 31-3-11 $000**
Assets:				
Property, plant and equipment	(67,142)	(16,781)	(3,157)	(87,080)
Investment properties	(583)	(3,920)	-	(4,503)
Financial assets at fair value through profit or loss	(94)	33	-	(61)
Liabilities:				
Employee benefits accrued	198	43	-	241
Derivatives	2,995	3,856	(1,945)	4,906
	(64,626)	**(16,769)**	**(5,102)**	**(86,497)**

(8) Taxation (continued)

Imputation credit account

	2012 $000	2011 $000
Balance at the beginning of the year	601	601
Less imputation credits attached to dividends paid during the year	(600)	-
Balance at the end of the year	**1**	**601**
At balance date the imputation credits available to the shareholders of the parent Company were:		
Through indirect interests in subsidiaries	1	601
Balance at the end of the year	**1**	**601**

(9) Capital

	2012 $000	2011 $000
Balance at the beginning of the year	9,075	9,057
Executive share scheme	22	18
Balance at the end of the year	**9,097**	**9,075**
Represented by:		
Total issued capital at the end of the year 40,155,942 ordinary shares	9,050	9,050
Executive share scheme	47	25
Balance at the end of the year	**9,097**	**9,075**

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

(10) Property, plant and equipment

	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2012						
Cost or valuation						
Balance at 1 April 2011	214,811	142,730	268,690	28,438	2,962	657,631
Additions	-	-	89	604	21,798	22,491
Transfer from capital work in progress	150	4,241	12,983	4,667	(22,041)	-
Transfer to investment properties	-	-	(13)	-	-	(13)
Disposals	-	-	-	(38)	-	(38)
Movements in asset revaluation	74,270	-	9,338	-	-	83,608
Balance at 31 March 2012	**289,231**	**146,971**	**291,087**	**33,671**	**2,719**	**763,679**
Accumulated depreciation and impairment losses						
Balance at 1 April 2011	-	-	-	14,512	-	14,512
Depreciation for the year	-	6,465	7,672	3,416	-	17,553
Disposals	-	-	-	(34)	-	(34)
Balance at 31 March 2012	**-**	**6,465**	**7,672**	**17,894**	**-**	**32,031**
Net book value at 31 March 2012	**289,231**	**140,506**	**283,415**	**15,777**	**2,719**	**731,648**

	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2011						
Cost or valuation						
Balance at 1 April 2010	214,161	131,086	244,971	23,923	30,999	645,140
Additions	-	570	151	414	15,212	16,347
Transfer from capital work in progress	569	9,169	29,293	4,218	(43,249)	-
Disposals	-	-	-	(117)	-	(117)
Movements in asset revaluation	81	1,905	(5,725)	-	-	(3,739)
Balance at 31 March 2011	**214,811**	**142,730**	**268,690**	**28,438**	**2,962**	**657,631**
Accumulated depreciation and impairment losses						
Balance at 1 April 2010	-	5,714	6,377	12,170	-	24,261
Depreciation for the year	-	5,259	6,685	2,459	-	14,403
Disposals	-	-	-	(117)	-	(117)
Movements in asset revaluation	-	(10,973)	(13,062)	-	-	(24,035)
Balance at 31 March 2011	**-**	**-**	**-**	**14,512**	**-**	**14,512**
Net book value at 31 March 2011	**214,811**	**142,730**	**268,690**	**13,926**	**2,962**	**643,119**

	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2012						
Revalued assets at deemed cost						
Cost	85,015	108,331	191,516	23,873	2,962	411,697
Additions	-	-	-	-	21,798	21,798
Increase/(decrease) in assets under construction during the year	150	4,241	12,983	4,667	(22,041)	-
Disposals	-	-	-	(38)	-	(38)
Less accumulated depreciation	-	(28,933)	(48,115)	(18,046)	-	(95,094)
Net Book Value 31 March 2012	**85,165**	**83,639**	**156,384**	**10,456**	**2,719**	**338,363**
March 2011						
Revalued assets at deemed cost						
Cost	85,015	108,331	191,516	23,873	30,999	439,734
Additions	-	570	151	414	15,212	16,347
Increase/(decrease) in assets under construction during the year	569	9,169	29,293	4,218	(43,249)	-
Disposals	-	-	-	(117)	-	(117)
Less accumulated depreciation	-	(26,299)	(42,289)	(14,596)	-	(83,184)
Net Book Value 31 March 2011	**85,584**	**91,771**	**178,671**	**13,792**	**2,962**	**372,780**

(10) Property, plant and equipment (continued)

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 Company has previously applied a zonal approach to the valuation of land, based on a direct sales comparison with appropriate adjustment for intensity of development, location, titles, easement and services. During the year the Company requested that its valuers, Telfer Young Limited, undertake a Market Value Alternative Use (MVAU) valuation in order to meet its regulatory reporting requirements under the Commerce Act (Specified Airport Services Input Methodologies). This valuation required the completion of an independent master plan for the alternative use of the airport land, and was completed by independent town planners Boffa Miskell. As a consequence, the Company obtained a valuation undertaken by its valuers Telfer Young Limited using the Market Value Existing Use (MVEU) approach, which is based on the MVAU approach plus development and holding costs to provide land suitable for airport use. The land was valued effective 31 March 2011 in accordance with the New Zealand Institute of Valuers asset valuation standards. As a result of adopting the MVEU land valuation, an increase in the value of the land of $74.3 million has been recognised as an increase in the value of property, plant and equipment, with a corresponding increase in the value of the asset revaluation reserve.

As at 31 March 2012 the Company performed a discounted cash flow analysis to confirm that there had been no material movements in the value of the car park and transport business assets and that the carrying value still represented the asset's fair value. The discounted cash flow analysis showed that there was a material uplift in the value of the car park and transport business assets mainly due to additional vehicle capacity works completed during the year and a forecast increase in vehicle revenue. As a result an increase in the value of the car park and transport business assets of $9.3 million has been recognised as an increase in the value of property, plant and equipment, with a corresponding increase in the value of the asset revaluation reserve.

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, as required by NZ IAS 16. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

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

Asset classification and description	Valuation approach	Key valuation assumptions
Land		
Aeronautical land - used for airport activities and specialised aeronautical assets Non-aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the car park and transport business Residential land	MVEU approach - comprising MVAU valuation plus development and holding costs to provide land suitable for airport use Residential land is valued at rateable value	Adopted rate per hectare prior to holding costs $1.37 million per ha Holding costs 12.88% Holding period 5 years Direct costs $15.5 million
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	Average cost rates including concrete $740 per m3, asphalt $833 per m3, basecourse $83 per m3 and foundations $15 per m3
Buildings		
Specialised buildings used for identified airport activities	Optimised depreciated replacement cost derived from modern equivalent asset rate	Modern equivalent asset rates ranging from $175 to $5,000 per m2, with a weighted average of $4,050 per m2
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	Modern equivalent asset rates ranging from $550 to $1,900 per m2, with a weighted average of $1,364 per m2
Car park and transport business assets		
Assets associated with car parking and taxi, shuttle and bus services (excluding land)	Discounted cash flow	Revenue growth 3% per annum Cost growth 3% per annum Discount rate 13%
Vehicles, plant and equipment		
Vehicles, plant and equipment comprises a mixture of specialised and non-specialised assets	Book value	-

(10) Property, plant and equipment (continued)

Capital work in progress

During the year ended 31 March 2012, construction was completed on a number of significant projects including a new hangar and an extension to the main terminal car park. The new hangar was completed on 10 October 2011 with construction costs of $7.7 million, including capitalised borrowing costs of $0.1 million. The main terminal car park extension was completed on 14 October 2011 with construction costs of $6.7 million, including capitalised borrowing costs of $0.1 million.

For the year ended 31 March 2012, capitalised borrowing costs relating to capital work in progress amounted to $0.2 million (2011: $1.1 million), with an average capitalisation rate of 6.9% (2011: 7.0%).

(11) Investment properties

	2012 $000	2011 $000
Balance at the beginning of the year	48,921	48,704
Additions	-	10
Disposals	(1)	-
Transfer from property, plant and equipment	13	-
Investment properties revaluation increase	922	207
Balance at the end of the year	**49,855**	**48,921**

Investment properties are valued at fair value annually, based on independent valuations undertaken by registered valuers, Telfer Young Limited. Fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property and application of a yield that reflects the specific risks inherent in the net cash flows to arrive at a property valuation. The methodologies applied are consistent with those used in the prior year. Movements in the valuation of investment properties are taken to profit or loss. The principal assumptions used in establishing the valuations were as follows:

	31 Mar 2012	31 Mar 2011
Discount rate	9.75% to 11%	11%
Capitalisation rate	7.45% to 14%	9%
Weighted average lease term (years)	2.3	3.3

	2012 $000	2011 $000
Amounts recognised in profit or loss:		
Rental income from investment properties	4,690	4,728
Direct operating expenses arising from investment properties that generate income	(1,247)	(1,308)
Total	**3,443**	**3,420**

(12) Investment in subsidiary

The Company held shares in the following operating companies:

Subsidiary	**Balance Date**	**2012 Holding**	**2011 Holding**	**Principle activity**	**Country of incorporation**
iSite Limited	31 March	0%	100%	Advertising	New Zealand

iSite Limited was sold during the year on 29 July 2011. The sale price was $10.096 million and there was no gain or loss on the sale.

(13) Financial instruments

The Company 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 Company'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 Company 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 Company. Management report to the Audit and Risk Committee and the Board on the Company'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 Company. The Company is exposed to credit risk in the normal course of business including those arising from trade receivables with its customers, financial derivatives and transactions (including cash balances) with financial institutions. Cash is held with financial institutions with a minimum AA rating with Standard & Poor's or equivalent rating with other rating agencies. At 31 March 2012 cash was held solely with ANZ National Bank Limited. The Company has adopted a policy of only dealing with credit-worthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company 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 Company's exposure and the credit ratings of counterparties are monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

The Company has exposure to various counterparties. Concentration of credit risk with respect to trade receivables is concentrated in a small number of accounts because the Company has a limited range of customers. At 31 March 2012, 85% (2011: 71%) of trade receivables were due from ten customers.

Liquidity risk is the risk that assets held by the Company cannot readily be converted to cash to meet the Company'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 Company'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 Company's reputation. The Company 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 Company's interest expense cash flow and earnings. The Company 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.

(a) Credit risk

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

	2012 $000	2011 $000
Trade receivable	9,121	8,957
Trade and other receivables	**9,121**	**8,957**

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

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

	2012 $000	2011 $000
Current	8,114	8,191
Overdue 0-30 days	806	509
Overdue 31-90 days	70	80
91 days and over	131	177
Total	**9,121**	**8,957**

(13) Financial instruments (continued)

(b) Interest rate risk

The Company is exposed to interest rate fluctuations on its bank debt and borrowings. The Company uses interest rate swaps to manage interest rate risk. As at 31 March 2012 the Company has covered 100% of its wholesale bond exposure to floating interest rates with fixed rate swaps (2011: 100%). The average effective interest rate for the interest rate swaps during the year ended 31 March 2012 was 6.72% (2011: 6.72%). At balance date the interest rate contracts outstanding were:

	2012	2011
	$000	$000
Interest rate swaps notional value	150,000	150,000
Fair value of interest rate swaps	(19,425)	(14,227)
Maturity analysis		
More than 5 years	150,000	150,000

(c) Sensitivity analysis

Sensitivity analysis for fixed rate instruments

The Company 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			
	2012		2011	
	100 bp increase	**100 bp decrease**	100 bp increase	100 bp decrease
	$000	**$000**	$000	$000
Wholesale bonds	(1,500)	1,500	(1,500)	1,500
Interest rate swaps	7,465	(7,882)	8,478	(8,663)
Net profit and loss sensitivity	**5,965**	**(6,382)**	**6,978**	**(7,163)**

(d) Fair values

Financial instruments consist of cash and short term deposits, receivables, investments, accounts payable, bank loans and borrowings and derivatives. The fair value of interest rate swaps are detailed in Note 13(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 quoted value.

FOR THE YEAR ENDED 31 MARCH 2012

(13) Financial instruments (continued)

	Held-to-maturity $000	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 2012						
Assets						
Cash and cash equivalents	-	2,731	-	-	2,731	2,731
Trade and other receivables	-	9,121	-	-	9,121	9,121
Total assets	**-**	**11,852**	**-**	**-**	**11,852**	**11,852**
Liabilities						
Trade and other payables	-	-	-	1,952	1,952	1,952
Unsecured bank facilities	-	-	-	6,776	6,776	6,776
Loans and borrowings						
Retail bonds	-	-	-	99,468	99,468	106,851
Wholesale bonds	-	-	-	149,264	149,264	149,264
Derivatives	-	-	19,425	-	19,425	19,425
Total liabilities	**-**	**-**	**19,425**	**257,460**	**276,885**	**284,268**
At 31 March 2011						
Assets						
Cash and cash equivalents	-	32,338	-	-	32,338	32,338
Trade and other receivables	-	8,957	-	-	8,957	8,957
Total assets	-	41,295	-	-	41,295	41,295
Liabilities						
Trade and other payables	-	-	-	1,400	1,400	1,400
Loans and borrowings						
Retail bonds	-	-	-	99,152	99,152	104,187
Wholesale bonds	-	-	-	149,147	149,147	149,147
Derivatives	-	-	14,227	-	14,227	14,227
Total liabilities	-	-	14,227	249,699	263,926	268,961

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,

• The fair value of other financial assets and liabilities are calculated using market-quoted rates based on discounted cash flow analysis.

In accordance with NZ IFRS 7, the Company 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:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
At 31 March 2012				
Assets				
Total assets	-	-	-	-
Liabilities				
Derivatives	-	19,425	-	19,425
Total liabilities	**-**	**19,425**	**-**	**19,425**
At 31 March 2011				
Assets				
Total assets	-	-	-	-
Liabilities				
Derivatives	-	14,227	-	14,227
Total liabilities	**-**	**14,227**	**-**	**14,227**

(13) Financial instruments (continued)

(e) Liquidity risk

The tables below analyse the Company'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.

	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 2012							
Accounts payable and accruals	12,592	12,592	12,592	-	-	-	-
Unsecured bank facility	6,776	7,000	7,000	-	-	-	-
Retail bonds	99,468	112,188	3,750	3,750	104,688	-	-
Wholesale bonds	149,264	173,760	2,228	2,228	4,455	13,365	151,485
Derivative financial instruments	19,425	19,425	1,821	1,821	3,642	10,927	1,214
Total liabilities	**287,525**	**324,965**	**27,391**	**7,799**	**112,785**	**24,292**	**152,699**
At 31 March 2011							
Accounts payable and accruals	13,745	13,745	13,745	-	-	-	-
Retail bonds	99,152	119,688	3,750	3,750	7,500	104,688	-
Wholesale bonds	149,147	182,631	2,573	2,573	5,145	15,435	156,905
Derivative financial instruments	14,227	14,227	1,122	1,122	2,243	6,730	3,010
Total liabilities	**276,271**	**330,291**	**21,190**	**7,445**	**14,888**	**126,853**	**159,915**

(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 2011 and 2012.

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

As at 31 March 2012, the Company has interest rate contracts with maturities up to August 2017. Interest rate contracts are marked to market and this has resulted in an unrealised loss of $5.2 million in the year ended 31 March 2012 (2011: unrealised loss of $6.4 million).

(g) Capital management

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

The key factors in determining the Company's optimal capital structure are quality and dependability of earnings and cash flows, capital needs over the period and available sources of capital and relative cost. The Company is subject to certain compliance ratios relevant to the facility agreements and Trust Deeds applicable to the borrowings. There were no changes in the Company's approach to capital management during the year. The Company monitors capital on the basis of the gearing ratio, which is calculated as net debt divided by total capital funding.

	Notes	2012 $000	2011 $000
Net debt			
Unsecured bank debt	5	(6,776)	-
Unsecured subordinated bonds	6	(248,732)	(248,299)
Cash and cash equivalents	7	2,731	32,338
Total net debt		**(252,777)**	**(215,961)**
Total equity		**(408,249)**	**(369,291)**
Total capital funding		**(661,026)**	**(585,252)**
Gearing ratio		**38.2%**	**36.9%**

(14) Accrued employee benefits

	2012 $000	2011 $000
Salaries and wages	704	698
Annual leave	510	475
Accident Compensation Corporation	-	2
Total accrued employee benefits	**1,214**	**1,175**

(15) Defined contribution plans

The Company makes contributions to various IRD approved KiwiSaver schemes on behalf of employees. During the year, the amount recognised as an expense was $0.1 million (2011: $0.1 million).

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

	2012 $000	2011 $000
Net surplus/(loss)	3,849	(19,103)
Add items not involving cash flows		
Investment property revaluation increase	(922)	(207)
Property, plant and equipment revaluation decrease	-	213
Change in value of financial instruments designated as fair value through profit or loss	5,198	6,372
Amortisation of fair value of ineffective hedges transferred from equity	4,380	6,149
Depreciation	17,553	14,403
Loss/(gain) on disposal of property, plant and equipment	3	(2)
Movement in deferred tax	(4,427)	16,769
Interest capitalised	(200)	(1,098)
Movements in working capital		
Increase in trade and accounts receivables	(164)	(1,164)
(Increase)/decrease in prepayments and sundry receivables	(83)	480
Increase/(decrease) in accounts payable	552	(58)
(Decrease)/increase in accruals and other liabilities	(1,803)	505
Increase in taxation payable	591	1,541
Net cash inflow from operating activities	**24,527**	**24,800**

(17) Segment reporting

Analysis of the revenue breakdown for the Company 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 Company has, therefore, determined that one reportable segment exists for the airport being airport related operations which includes landing and terminal charges, international departure fees, property leases, retail and trading revenues.

In prior years, the Company also operated an advertising segment, which comprised its then 100% owned subsidiary iSite Limited. Effective 29 July 2011 iSite Limited was sold to Infratil Outdoor Media Limited and the business segment comparatives restated to disclose the airport segment only.

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

Major customers

The Company has three main airline customers (Air New Zealand Group, Qantas Group and Virgin Australia Airlines Group, previously Pacific Blue Group). The revenue from these customers for the year ended 31 March 2012 was $51.7 million (2011: $48.8 million).

(18) Related parties

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

On 29 July 2011 the Company sold its 100% subsidiary, iSite Limited, to Infratil Outdoor Media Limited a 100% subsidiary of Infratil Limited for $10,096,000.

The Company made a subvention payment on 17 June 2011 to subsidiaries of Infratil Limited of $30,137,014 (2011: $27,244,763).

The Company made a special dividend payment on 1 August 2011 of $1.00 per share (2011: $nil) to NZ Airports Limited (a subsidiary of Infratil Limited) of $26,400,000 and to the Wellington City Council of $13,600,000.

The Company transacts with the Wellington City Council in the normal course of business on an arms-length basis. The Company made a dividend payment on 17 June 2011 to the Wellington City Council of $9,060,859 (2011: $8,340,586) i.e. 0.66 cents per share (2011: 0.61 cents per share).

The Company paid NZ Airports Limited, a 100% subsidiary of Infratil Limited, fees totalling $412,066 for the services of the WIAL Chief Executive Officer for the year ended 31 March 2012 (2011: $540,000).

During the year, the Company paid Flat Earth Solutions Limited, of which Andy Scotland (a Director of iSite Limited and a former WIAL Executive) is one of its Directors, fees for consultancy services on the online car park and lounge projects totalling $4,000 (2011: $139,518).

Directors fees were paid during the year to HRL Morrison & Co, the company responsible of the day to day management of Infratil Limited, of $89,469 for the services of T Brown, K Baker (resigned as a Director effective 18 May 2011) and P Coman as Directors and K Baker as an Audit and Risk Committee Member (2011: $82,583).

During the year, the Company paid HRL Morrison & Co consultancy fees totalling $97,326 (2011: $nil).

During the year Z Energy Limited, a 50% subsidiary of Infratil Limited, made payments to the Company totalling $21,851 (2011: $20,561) for the lease of property and land. The trade receivables owed by Z Energy Limited as at 31 March 2012 was $36 (2011: $2,021).

During the year Cityline NZ Limited, a 100% subsidiary of Infratil Limited, made payments to the Company totalling $188,452 (2011: $142,456) for services relating to the Airport Flyer Bus. The trade receivables owed by Cityline NZ Limited as at 31 March 2012 was $67,049 (2011: $15,173).

During the period to 29 July 2011, iSite Limited made payments to Infratil Outdoor Media Limited, a 100% subsidiary of Infratil Limited. The payments relate to the right to sell advertising of $2,948,148 (2011: $5,958,838). In addition, during the same period iSite Limited received overhead related recharges from Infratil Outdoor Media Limited of $517,859 (2011: $1,386,048).

During the year iSite Limited, a 100% subsidiary of Infratil Limited, made payments to the Company totalling $2,017,898 (2011: $2,000,127) for the rights to sell advertising space at sites owned by the Company. The balance due to the Company at 31 March 2012 was $110,408 (2011: $134,995).

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

(19) Financial commitments

(a) Capital commitments

	2012 $000	2011 $000
Contracted but not provided for	**497**	**4,681**

The property, plant and equipment contracted but not provided for relates to the car park works, terminal development 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:

	2012	2011
	$000	$000
Between 0 to 1 year	18,034	20,126
Between 1 to 2 years	15,398	16,786
Between 2 to 5 years	15,153	26,804
More than 5 years	4,783	5,835
Total lessor commitments	**53,368**	**69,551**

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:

	2012	2011
	$000	$000
Between 0 to 1 year	822	786
Between 1 to 2 years	816	776
Between 2 to 5 years	2,287	2,279
More than 5 years	5,598	6,349
Total lessee commitments	**9,523**	**10,190**

(20) Contingent liabilities

There were no contingent liabilities outstanding at 31 March 2012 (31 March 2011: nil).

(21) Key management personnel disclosures

	2012	2011
	$000	$000
Short-term employee benefits	**1,530**	**1,766**

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 $257,269 (2011: $237,550) disclosed in Note 4: Operating expenses are also disclosed here as they form part of the remuneration to key management personnel.

(22) Infratil staff share scheme

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

The Company has recorded $57,683 in the profit or loss in respect of the executive share scheme for the year ended 31 March 2012 (2011: $67,479). In association with employee participation in the staff share purchase scheme, the Company has recorded $23,455 in interest free loans for the year ended 31 March 2012 (2011: $30,046).

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

(23) Seasonality of operations

There is no material seasonality to the Company's operations.

(24) Events after balance date

There were no disclosable events after balance date.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2012

Directors' interests

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

Director	Name of party in which Director has an interest	Nature of interest
David Newman	Infratil Limited	Chairman
	Infratil Trustee Company Limited	Chairman
	Loyalty New Zealand Limited	Chairman
	Glasgow Prestwick Airport Limited	Director
	Infratil Airports Europe Limited	Director
	Infratil UK Limited	Director
	Infratil Europe Limited	Director
	Infratil Finance Limited	Director
	Infratil Investments Limited	Director
	Infratil 1998 Limited	Director
	Infratil Securities Limited	Director
	Infratil Ventures Limited	Director
	Infratil Australia Limited	Director
	Infratil Gas Limited	Director
	Infratil Energy Limited	Director
	Infratil No 1 Limited	Director
	Infratil No 5 Limited	Director
	Infratil Insurance Co Limited	Director
	Infratil Kent Airport Limited	Director
	Infratil Kent Facilities Limited	Director
	Karewa Farms Chathams Islands Limited	Director
	NZ Airports Limited	Director
	Prestwick Airport Limited	Director
	Swift Transport Limited	Director
Kevin Baker	H.R.L. Morrison & Co Group Limited	Director
	H.R.L. Morrison & Co Limited	Director
	Infratil Energy Australia Pty Limited	Director
	Infratil Energy New Zealand Limited	Director
	Lumo Energy Pty Limited	Director
	Morrison & Co Infrastructure Management Limited	Director
	New Zealand Bus Finance Company Limited	Director
	New Zealand Bus Limited	Director
	Renew Nominees Limited	Director
Timothy Brown	New Zealand Bus Limited	Director
	New Zealand Bus Company Finance Limited	Director
	North West Auckland Airport Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Peter Coman	Infratil Infrastructure Property Limited	Director
	Morrison & Co Property Group Limited	Director
	Woodward Infrastructure Limited	Director
	Morrison & Co PIP Limited	Director
	iSite Limited	Director
	Learning Infrastructure Partners GP Limited	Director
	Learning Infrastructure Partners (Hobsonville) Limited	Director
Steven Fitzgerald	Infratil Airports Europe Limited	Chairman
	Glasgow Prestwick Airport Limited	Director
	Great Holidays Limited	Director
	Infratil Kent Airport Limited	Director
	Infratil Kent Facilities Limited	Director
	North West Auckland Airport Limited	Director
	PIK MRO Limited	Director
	Prestwick Airport Limited	Director
	Prestwick Aviation Holdings Limited	Director
	Runway Realisations Limited	Director
	The Airport Driving Range Company Limited	Director

Directors' interests (continued)

Ian McKinnon	Wellington City Council	Deputy Mayor
	Victoria University of Wellington	Chancellor
Keith Sutton	Taranaki Investment Management Limited	Chairman
Independent Director	Tasman Farms Limited	Chairman
	Maori Trustee Advisory Board	Member
	Gough, Gough & Hamer Limited	Director
	Sutton McCarthy Limited	Director
	Sealord Group Limited	Director
	The Van Diemen's Land Company	Governor

Remuneration of Directors

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

Director name	Fees
David Newman	$76,412
Kevin Baker (resigned 18 May 2011)	$11,184
Tim Brown	$41,782
Peter Coman (appointed 18 May 2011)	$36,503
Steven Fitzgerald	$nil
Ian McKinnon	$41,790
Keith Sutton	$49,598

In addition, during the year costs were paid on behalf of the Directors for $8,296. The Company also reimburses Directors for travel and accommodation expenses incurred in their role as Directors. The Directors received no other remuneration or benefits for services other than as disclosed in Notes 18 and 21.

Entries in the interest register

The information below is given pursuant to the NZX Limited Listing Rules.

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

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

Loans to Directors

No loans have been made by the 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 Company has arranged policies of Directors' and officers' liability insurance with cover appropriate for the Company's operations.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2012

Remuneration of employees

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

Amount of remuneration	Employees
$100,000 to $110,000	2
$110,001 to $120,000	4
$120,001 to $130,000	1
$130,001 to $140,000	1
$140,001 to $150,000	1
$150,001 to $160,000	1
$160,001 to $170,000	1
$190,001 to $200,000	1
$230,001 to $240,000	1
$270,001 to $280,000	1
$310,001 to $320,000	1
$360,001 to $370,000	1

CORPORATE GOVERNANCE

Role of the Board

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

Board Membership

The Board currently comprises six non-executive Directors.

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

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

Directors' Shareholding

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

Board Committees

Audit and Risk Committee

The Board has established an Audit and Risk Committee comprising of three Directors, Mr K Sutton (Chairman), Mr K Baker and Mr T Brown with attendances by management and external advisors as appropriate.

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:

- o financial reporting;
- o accounting policies;
- o financial management;
- o internal control system;
- o risk management system;
- o insurances; and
- o 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 five times.

Remuneration Committee
The Board has established a Remuneration Committee comprising of two Directors, Mr D Newman (Chairman) and Mr I McKinnon with attendances by management and external advisors as appropriate. The duties of the Remuneration Committee is primarily to ensure that members of the executive team are fairly and equitably remunerated.

During the period under review the Remuneration Committee met once.

Commerce Act Information Disclosure Steering Committee
The Commerce Act Information Disclosure Steering Committee comprising of two Directors, Mr K Sutton (Chairman), Mr K Baker (resigned 20 March 2012) and Mr Tim Brown (appointed 20 March 2012), with attendances by attendances by management and external advisors as appropriate.
The duties of the Commerce Act Information Disclosure Steering Committee is primarily to oversee compliance with the Commerce Act 1986 information disclosure requirements and the consequent Commerce Commission Information Disclosures Determination.

During the period under review the Commerce Act Information Disclosure Steering Committee met five times.

Other Committees (continued)

Airline Consultation Steering Committee

The Airline Consultation Steering Committee comprising of Mr S Fitzgerald (Chairman) and other Directors, with attendances by management and external advisors as appropriate.

The duties of the Airline Consultation Steering Committee is primarily to oversee Wellington International Airport Limited's airline pricing consultation with its substantial customers before setting aeronautical prices for identified airport activities under section 4A of the Airport Authorities Act 1966.

During the period under review the Airline Consultation Steering Committee met six times.

Treasury Committee

The Board has established a Treasury Committee comprising of three Directors, Mr T Brown (Chairman), Mr K Sutton and Mr D Newman with attendances by management and external advisors as appropriate.

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
- to recommend to the Board bank counterparties and counterparty limits

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.

Directors' and Officers' Insurance

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

Independent Professional Advice

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

Going Concern

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

The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the 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 generally supports the Corporate Governance Best Practice Code promulgated by NZX Limited. However, as it is a non-listed, closely-held company, 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's directors are appointed by its shareholders. Copies of the Company's Code of Ethics are available upon request from the company secretary.

2008 to 2012: FIVE YEAR SUMMARY

WIAL AIRPORT STATISTICS

Passenger movements (000's)	**2012**	**2011**	**2010**	**2009**	**2008**
Domestic	4,474	4,480	4,491	4,645	4,416
International	718	655	627	611	603
Total	**5,192**	**5,135**	**5,118**	**5,256**	**5,019**

Aircraft movements	**2012**	**2011**	**2010**	**2009**	**2008**
Domestic	81,952	83,072	84,708	88,856	93,670
International	5,708	5,512	5,476	5,554	5,270
Military, freight, private and other movements	13,249	12,112	12,834	15,268	12,330
Total	**100,909**	**100,696**	**103,018**	**109,678**	**111,270**

Number of employees	**2012**	**2011**	**2010**	**2009**	**2008**
FTE	87	84	84	78	77

WIAL FINANCIAL RESULTS

Statement of financial position ($000's)			NZ IFRS		
	2012	**2011**	**2010**	**2009**	**2008**
Non-current assets	781,503	702,136	680,371	673,682	599,460
Current assets	13,180	42,331	39,391	75,908	13,633
Total assets	**794,683**	**744,467**	**719,762**	**749,590**	**613,093**
Deferred taxation liability	85,910	86,497	64,626	64,848	49,912
Other non-current liabilities	274,933	262,526	255,728	260,781	214,160
Total non-current liabilities	**360,843**	**349,023**	**320,354**	**325,629**	**264,072**
Current liabilities	25,591	26,153	24,246	53,342	20,280
Total liabilities	**386,434**	**375,176**	**344,600**	**378,971**	**284,352**
Net assets/Shareholders' equity	**408,249**	**369,291**	**375,162**	**370,619**	**328,741**

Statement of profit and loss ($000's)			NZ IFRS		
	2012	**2011**	**2010**	**2009**	**2008**
Operating revenue	99,467	92,625	86,246	83,112	76,333
Operating expenses (excluding subvention payment)	(24,002)	(22,320)	(19,654)	(19,696)	(18,212)
Operating earnings before interest, tax, depreciation and amortisation	**75,465**	**70,305**	**66,592**	**63,416**	**58,121**
Investment property revaluation increase/(decrease)	922	207	(740)	(6,369)	642
Property, plant and equipment revaluation decrease	-	(213)	-	(946)	-
(Loss)/gain on sale of fixed assets	(3)	2	12	-	-
Change in value of financial instruments designated as fair value through profit or loss	(9,578)	(12,521)	(4,458)	7,758	-
Total earnings before interest, tax and depreciation	**66,806**	**57,780**	**61,406**	**63,859**	**58,763**
Depreciation	(17,553)	(14,403)	(14,372)	(12,404)	(11,494)
Earnings before interest and tax	**49,253**	**43,377**	**47,034**	**51,455**	**47,269**
Net finance cost	(19,103)	(16,925)	(16,544)	(19,426)	(15,821)
Subvention payment	(30,137)	(27,245)	(23,675)	(23,287)	(18,678)
Profit/(loss) before taxation	**13**	**(793)**	**6,815**	**8,742**	**12,770**
Taxation	3,836	(18,310)	491	(716)	(1,127)
Profit/(loss) after taxation	**3,849**	**(19,103)**	**7,306**	**8,026**	**11,643**
Dividends	(49,061)	(8,341)	(7,068)	(7,185)	(5,643)
Retained earnings/(deficit)	**(45,212)**	**(27,444)**	**238**	**841**	**6,000**

Independent auditor's report

To the shareholders of Wellington International Airport Limited

Report on the financial statements

We have audited the accompanying financial statements of Wellington International Airport Limited ("the company") on pages 3 to 26. The financial statements comprise the statement of financial position as at 31 March 2012, 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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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'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'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 26:

- 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 as at 31 March 2012 and of its financial performance and cash flows 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

11 May 2012
Wellington