



WELLINGTON INTERNATIONAL AIRPORT LIMITED

**Consolidated Financial Statements
for the Six Months Ended 30 September 2018**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Notes	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
		\$000	\$000	\$000
		Unaudited	Unaudited	Audited
Aircraft movement and terminal charges		40,618	37,566	76,154
Retail and trading activities		20,540	20,101	40,263
Property rent and lease income		6,302	6,123	12,220
Total revenue		67,460	63,790	128,637
Operating expenses	A2	(12,345)	(11,195)	(22,525)
Employee remuneration and benefits		(5,536)	(5,285)	(10,697)
Subvention payment	D1	(40,463)	(37,610)	(37,937)
Total operating and other expenditure		(58,344)	(54,090)	(71,159)
Investment properties revaluation increase	B2	900	3,866	11,542
Depreciation	B1	(10,915)	(11,451)	(23,587)
Operating earnings before financing expense		(899)	2,115	45,433
Interest income		193	567	865
Interest expense		(8,889)	(10,140)	(19,291)
Other finance income		364	22	1,883
Net financing expense		(8,332)	(9,551)	(16,543)
Net (loss)/profit from continuing operations before taxation		(9,231)	(7,436)	28,890
Taxation income/(expense)		7,136	5,695	(4,209)
Net (loss)/profit after taxation		(2,095)	(1,741)	24,681
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Property, plant and equipment revaluation		-	-	72,372
Income tax on property, plant and equipment revaluation		-	-	(11,857)
Total items that will not be reclassified to profit or loss		-	-	60,515
Items that may subsequently be reclassified to profit or loss:				
Fair value gains/(losses) recognised in the cash flow hedge reserve		(2,176)	-	(1,230)
Tax effect of movements in the cash flow hedge reserve		609	-	344
Total items that may subsequently be reclassified to profit or loss		(1,567)	-	(886)
Total other comprehensive income		(1,567)	-	59,629
Total comprehensive income		(3,662)	(1,741)	84,310

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	Attributable to Equity Holders					Total Equity
		Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Other Reserves	Retained Earnings	
		\$000	\$000	\$000	\$000	\$000	
Balance as at 1 April 2018		9,050	465,455	(886)	202	111,445	585,266
Comprehensive income							
Net loss		-	-	-	-	(2,095)	(2,095)
Other comprehensive income		-	-	(1,567)	-	-	(1,567)
Total comprehensive income		-	-	(1,567)	-	(2,095)	(3,662)
Contributions by and distributions to owners							
Movement in executive redeemable shares		-	-	-	22	-	22
Dividends to equity holders	D1	-	-	-	-	(12,610)	(12,610)
Total contributions by and distributions to owners		-	-	-	22	(12,610)	(12,588)
Unaudited balance as at 30 September 2018		9,050	465,455	(2,453)	224	96,740	569,016
Balance as at 1 April 2017		9,050	404,940	-	169	98,701	512,860
Comprehensive income							
Net loss		-	-	-	-	(1,741)	(1,741)
Other comprehensive income		-	-	-	-	-	0
Total comprehensive income		-	-	-	-	(1,741)	(1,741)
Contributions by and distributions to owners							
Movement in executive redeemable shares		-	-	-	48	-	48
Dividends to equity holders	D1	-	-	-	-	(11,937)	(11,937)
Total contributions by and distributions to owners		-	-	-	48	(11,937)	(11,889)
Unaudited balance as at 30 September 2017		9,050	404,940	-	217	85,023	499,230
Balance as at 1 April 2017		9,050	404,940	-	169	98,701	512,860
Comprehensive income							
Net profit		-	-	-	-	24,681	24,681
Other comprehensive income		-	60,515	(886)	-	-	59,629
Total comprehensive income		-	60,515	(886)	-	24,681	84,310
Contributions by and distributions to owners							
Movement in executive redeemable shares		-	-	-	33	-	33
Dividends to equity holders	D1	-	-	-	-	(11,937)	(11,937)
Total contributions by and distributions to owners		-	-	-	33	(11,937)	(11,904)
Audited balance as at 31 March 2018		9,050	465,455	(886)	202	111,445	585,266

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Notes	30 Sep 2018	30 Sep 2017	31 Mar 2018
		\$000	\$000	\$000
		Unaudited	Unaudited	Audited
Cash and cash equivalents		13,791	26,987	21,531
Trade receivables		12,097	13,082	14,776
Prepayments and sundry receivables		2,365	2,445	4,578
Current assets		28,253	42,514	40,885
Property, plant and equipment	B1	1,098,128	958,907	1,064,285
Investment properties	B2	82,761	74,050	81,861
Non current assets		1,180,889	1,032,957	1,146,146
Total assets		1,209,142	1,075,471	1,187,031
Trade and other payables		209	342	1,644
Current tax payable		10,058	8,082	15,951
Accruals and other liabilities		16,110	17,640	20,006
Accrued employee benefits		2,886	2,416	3,318
Loans and borrowings	C1	75,000	-	-
Current liabilities		104,263	28,480	40,919
Deferred taxation		127,382	116,248	129,795
Derivative financial instruments		5,724	4,772	9,427
Loans and borrowings	C1	402,757	426,741	421,624
Non current liabilities		535,863	547,761	560,846
Attributable to shareholders		569,016	499,230	585,266
Total equity		569,016	499,230	585,266
Total equity and liabilities		1,209,142	1,075,471	1,187,031

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
		\$000	\$000	\$000
		Unaudited	Unaudited	Audited
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		70,138	63,755	126,908
Interest received		193	567	865
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(18,842)	(12,599)	(29,998)
Interest paid		(8,432)	(9,719)	(18,554)
Subvention payment	D1	(40,463)	(37,610)	(37,937)
Net cash flows from operating activities		2,594	4,394	41,284
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Proceeds from sale of property, plant and equipment		-	9	9
<i>Cash was disbursed to:</i>				
Purchase of property, plant and equipment		(47,547)	(42,267)	(84,454)
Net cash flows from investing activities		(47,547)	(42,258)	(84,445)
Cash flows from financing activities				
<i>Cash was provided from:</i>				
Increase in borrowings		49,823	99,751	99,751
<i>Cash was disbursed to:</i>				
Repayment of bonds		-	(90,000)	(90,000)
Bond issue costs		-	(793)	(952)
Dividend payment	D1	(12,610)	(11,937)	(11,937)
Net cash flows from financing activities		37,213	(2,979)	(3,138)
Net (decrease)/increase in cash and cash equivalents		(7,740)	(40,843)	(46,299)
Cash and cash equivalents balance at the beginning of the period		21,531	67,830	67,830
Cash and cash equivalents balance at the end of the period		13,791	26,987	21,531
Reconciliation of net profit after taxation to net cash flows from operating activities:				
		6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
		\$000	\$000	\$000
		Unaudited	Unaudited	Audited
Net (loss)/profit after taxation		(2,095)	(1,741)	24,681
Other Finance income		(364)	(40)	(1,883)
Depreciation		10,915	11,451	23,587
Investment properties revaluation increase		(900)	(3,866)	(11,542)
Other movements not involving cash flows		330	344	3,768
Movements in working capital		(5,292)	(1,754)	2,673
Net cash flows from operating activities		2,594	4,394	41,284

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

REPORTING ENTITY

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

The Group operates in Wellington providing integrated airport and commercial facilities and services to various airlines and other airport users. The Group also operates a commercial retail park adjacent to the airport site, and provides noise mitigation activities to manage the impact of noise generated from the airport on the surrounding community.

STATUTORY BASE

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

BASIS OF PREPARATION

These financial statements for the six month period to 30 September 2018 have been prepared using Generally Accepted Accounting Practice (NZ GAAP) in New Zealand and comply with IAS 34: *Interim Financial Reporting* and NZ IAS 34: *Interim Financial Reporting*, as appropriate for a for-profit entity.

Except as described below these consolidated half year financial statements have been prepared in accordance with the accounting policies stated in the Group's published Annual Report for the year ended 31 March 2018 and should be read in conjunction with the Annual Report.

CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 April 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group has adopted NZ IFRS 15 using the cumulative method with the effect of applying this standard recognised at the date of application. For those revenue streams that fall under the scope of IFRS 15, the timing of revenue recognition has been assessed to be in line with the satisfaction of performance obligations. The adoption of this accounting standard has had no material impact on the interim financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. All existing Group hedging relationships designated under IAS 39 as at 31 March 2018 have been determined to meet the criteria for hedge accounting under IFRS 9 at 1 April 2018. Additional interest rates swaps taken out during the period were brought into existing hedge relationships under NZ IFRS 9. The adoption of this accounting standard has had no other material impact on the interim financial statements.

Accounting estimates and judgements

Unless otherwise stated, the key accounting estimates and judgements have not changed from those used in preparing the financial statements for the year ended 31 March 2018 as published in the 2018 Annual Report.

NOTES CATEGORIES

The summary notes include information which is required to understand the consolidated half year financial statements and is material and relevant to the operations, financial position and performance of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

A. FINANCIAL PERFORMANCE

A1. Segment reporting and non-NZ GAAP measure

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

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

	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Net (loss)/profit after taxation	(2,095)	(1,741)	24,681
Subvention payment	40,463	37,610	37,937
Net financing expense	8,332	9,551	16,543
Taxation (income)/expense	(7,136)	(5,695)	4,209
Depreciation	10,915	11,451	23,587
Investment properties revaluation increase	(900)	(3,866)	(11,542)
EBITDAF before subvention payment	49,579	47,310	95,415

A2. Operating expenses

	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Fees paid to auditors:			
Audit of statutory financial statements	38	39	81
Taxation and other assurance services (Note 1)	63	99	101
Directors' fees	303	234	529
Regulatory compliance and airline pricing consultation (Note 2)	358	297	365
Marketing and development	1,346	1,034	2,137
Cleaning and energy	1,180	1,118	2,201
Rates and insurance	2,902	2,581	5,263
Repairs and maintenance	1,282	1,205	2,639
Operating lease expenses	386	397	803
Noise mitigation program	991	938	1,664
Administration and other expenses	3,496	3,253	6,742
Total operating expenses	12,345	11,195	22,525

Note 1 - Includes audit of WIAL's regulatory Annual Disclosures.

Note 2 - In addition to these costs, WIAL has incurred \$0.4m (30 September 2017: \$0.4m and 31 March 2018: \$0.4m) of regulatory and compliance costs in relation to the proposed runway extension including costs associated with the judicial review process. These costs have been capitalised and are included in capital work in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

B. FIXED ASSETS

B1. Property, plant and equipment	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Opening balance	1,064,285	930,422	930,422
Additions	44,758	40,334	85,603
Transfer between property, plant and equipment and investment properties	-	(389)	(524)
Disposals	-	(9)	(1)
Depreciation	(10,915)	(11,451)	(23,587)
Movement in asset revaluation	-	-	72,372
Closing balance	1,098,128	958,907	1,064,285

Revaluation

Land, buildings and civil assets are valued at least every five years. Land and buildings were last revalued as at 31 March 2018 and civil assets as at 31 March 2016 by independent registered valuers in accordance with the New Zealand Institute of Valuers asset valuation standards. Details of the valuations are set out in the 2018 Annual Report.

Capitalised borrowing costs

For the period ended 30 September 2018, capitalised borrowing costs relating to capital work in progress amounted to \$3.1 million (30 September 2017: \$1.7 million, 31 March 2018: \$4.1 million), with an average capitalisation rate of 4.9% (30 September 2017: 5.3%, 31 March 2018: 5.2%).

B2. Investment properties

As at 30 September 2018, the fair value of investment properties were assessed by independent valuers Jones Lang Lasalle (JLL). This valuation estimated a fair value of \$82.7 million (30 September 2017: \$74.1 million, 31 March 2018: \$81.8 million) which resulted in a valuation increase of \$0.9 million (30 September 2017: \$3.9 million, 31 March 2018: \$11.5 million). This valuation increase is recognised in the consolidated statement of comprehensive income. The valuation increase was driven by rent increases in the period.

C. FUNDING

C1. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to and management of interest rate and foreign currency risk, refer to the 2018 Annual Report.

	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Issue Date	Maturity	Interest Rate	
China Construction Bank (New Zealand)	Dec-17	Dec-20	Undrawn ²
Westpac New Zealand	Dec-17	Dec-20	Undrawn ²
MUFG Bank, Auckland Branch	Dec-17	Jun-22	Undrawn ²
ANZ Bank New Zealand ¹	Dec-17	Evergreen	Undrawn ²
Commercial Paper	Sep-18	Nov-18	2.22%
Wholesale bonds WIA0619	Jun-13	Jun-19	Floating
Wholesale bonds WIA0620	Jun-13	Jun-20	5.27%
Retail bonds WIA020	Nov-13	May-21	6.25%
Retail bonds WIA030	May-16	May-23	4.25%
Retail bonds WIA040	Aug-16	Aug-24	4.00%
Retail bonds WIA050	Dec-16	Jun-25	5.00%
USPP Senior Notes - Series A (US\$36 million)	Jul-17	Jul-27	3.47%
USPP Senior Notes - Series B (US\$36 million)	Jul-17	Jul-29	3.59%
Total borrowings at face value	480,558	429,768	424,482
Unamortised transaction costs	(2,801)	(3,027)	(2,858)
Carrying value of borrowings	477,757	426,741	421,624
Current	75,000	-	-
Non-current	402,757	426,741	421,624

¹ This Evergreen facility has an indefinite term subject to cancellation by either party. Upon cancellation the facility has a 13 month notice period after the date either party should elect to cancel the facility.

² These bank facilities were not drawn on during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

C1. Loans and borrowings (continued)

Bank facilities

The Group's debt includes unsecured and unsubordinated bank facilities with a negative pledge arrangement, which with limited exceptions does 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. During December 2017, the Group undertook a refinancing of its bank facilities. The arrangements in place as at 30 September 2018 are outlined in the table above. The Group has not utilised the facilities during the six month period ended 30 September 2018 and has complied with its financial covenant requirements during the period.

Bonds

The Trust Deeds for the bonds require the Group to operate within defined performance and debt gearing ratios. The arrangements under the Trust Deeds create restrictions over the sale or disposal of certain assets. The Group complied with its financial covenant requirements during the period. At 30 September 2018, the bonds had a fair value of \$349.3 million (30 September 2017: \$344.0 million, 31 March 2018: \$346.5 million).

USPP notes

On 27 July 2017 WIAL completed its inaugural United States Private Placement (USPP) note issuance, securing US\$72 million of long term debt. The USPP comprised two equal tranches, a US\$36 million 10 year note with a coupon of 3.47% and a US\$36 million 12 year note with a coupon of 3.59%. The proceeds of the USPP were used to repay the \$90 million in wholesale bonds that matured on 1 August 2017 and for investments in major capital projects. In conjunction with the USPP issuance, WIAL entered into Cross Currency Interest Rate Swaps (CCIRS) to hedge the exposure to foreign currency risk over the term of the notes. At 30 September 2018, the USPP notes had a fair value of \$103.7 million (30 September 2017: \$94.9 million, 31 March 2018: \$93.3 million). This debt is carried in the consolidated statement of financial position at amortised cost, translated to New Zealand dollars using foreign exchange rates at balance date.

D. OTHER NOTES

D1. Related parties

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

	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Transactions made during the period			
Infratil and its subsidiaries			
Infratil Group - subvention payment	(40,463)	(37,610)	(37,937)
Cityline NZ Limited - Airport Flyer Bus services	132	137	277
Infratil Limited - Insurance and other costs	(4)	(96)	(96)
H.R.L. Morrison & Co Limited			
Directors' fees	(141)	(129)	(288)
Consulting and other fees	(4)	(9)	(18)
Wellington City Council			
Dividend payment	(12,610)	(11,937)	(11,937)
Directors' fees	(45)	(30)	(68)
Rates	(1,600)	(1,395)	(3,066)
Grants	-	500	1,743
Consents and other fees	(19)	(9)	(394)

Directors fees of \$45,000 (30 September 2017: \$30,000) were paid during the six month period to the Wellington City Council, for the services of A Foster.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

D1. Related parties (continued)

	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Balance receivable/(payable) as at the end of the period			
H.R.L. Morrison & Co Limited	-	(48)	(137)
Cityline NZ Limited	16	26	21
Wellington City Council	18	4	-

D2. Capital commitments

	6 months 30 Sep 2018	6 months 30 Sep 2017	12 months 31 Mar 2018
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Contracted but not provided for	10,779	67,929	41,188

The commitments contracted but not provided for mainly relate to the multi level car park transport hub and the hotel development.

D3. Contingency and subsequent events

There were no contingent liabilities as at 30 September 2018 (30 September 2017: Nil, 31 March 2018: Nil).

There were no events after the reporting date requiring adjustment or disclosure.