



WELLINGTON INTERNATIONAL AIRPORT LIMITED

**Consolidated Financial Statements
for the Six Months Ended 30 September 2017**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Notes	6 months 30 Sep 2017 \$000 Unaudited	6 months 30 Sep 2016 \$000 Unaudited	12 months 31 Mar 2017 \$000 Audited
Aircraft movement and terminal charges		37,566	33,931	70,313
Retail and trading activities		20,101	18,470	37,039
Property rent and lease income		6,123	6,016	12,211
Total revenue		63,790	58,417	119,563
Operating expenses	A2	(11,195)	(9,528)	(18,879)
Employee remuneration and benefits		(5,285)	(5,154)	(10,140)
Subvention payment	D1	(37,610)	(38,762)	(38,894)
Total operating and other expenditure		(54,090)	(53,444)	(67,913)
Investment properties revaluation net increase	B2	3,866	-	820
Depreciation	B1	(11,451)	(9,983)	(21,654)
Loss on sale of property, plant and equipment		-	(274)	(654)
Operating earnings before interest and financing expense		2,115	(5,284)	30,162
Interest income		567	246	834
Interest expense		(10,140)	(12,336)	(22,265)
Foreign currency gain		(18)	-	-
Increase in value of financial instruments designated at fair value through profit or loss		40	4,544	8,327
Net financing expense		(9,551)	(7,546)	(13,104)
Net (loss)/profit before taxation		(7,436)	(12,830)	17,058
Taxation income/(expense)		5,695	7,805	(960)
Net (loss)/profit after taxation for the period		(1,741)	(5,025)	16,098
Other comprehensive income				
Items which will not be reclassified to profit or loss:				
Property, plant and equipment revaluation		-	2,870	2,870
Income tax relating to components of other comprehensive income		-	(717)	(717)
Total other comprehensive income		-	2,153	2,153
Total comprehensive income		(1,741)	(2,872)	18,251

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 2017

	Note	Attributable to Equity Holders				Total Equity \$000
		Capital	Asset Revaluation Reserve	Other Reserves	Retained Earnings	
		\$000	\$000	\$000	\$000	
Balance as at 1 April 2017		9,050	404,940	169	98,701	512,860
Total comprehensive income						
Net loss		-	-	-	(1,741)	(1,741)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	(1,741)	(1,741)
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	48	-	48
Dividend 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 2016		9,050	402,787	141	94,662	506,640
Total comprehensive income						
Net loss		-	-	-	(5,025)	(5,025)
Other comprehensive income		-	2,153	-	-	2,153
Total comprehensive income		-	2,153	-	(5,025)	(2,872)
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	20	-	20
Dividend to equity holders	D1	-	-	-	(12,059)	(12,059)
Total contributions by and distributions to owners		-	-	20	(12,059)	(12,039)
Unaudited balance as at 30 September 2016		9,050	404,940	161	77,578	491,729
Balance as at 1 April 2016		9,050	402,787	141	94,662	506,640
Total comprehensive income						
Net profit		-	-	-	16,098	16,098
Other comprehensive income		-	2,153	-	-	2,153
Total comprehensive income		-	2,153	-	16,098	18,251
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	95	-	95
Executive redeemable shares converted		-	-	(67)	-	(67)
Dividend to equity holders	D1	-	-	-	(12,059)	(12,059)
Total contributions by and distributions to owners		-	-	28	(12,059)	(12,031)
Audited balance as at 31 March 2017		9,050	404,940	169	98,701	512,860

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 2017

	Notes	30 Sep 2017 \$000 Unaudited	30 Sep 2016 \$000 Unaudited	31 Mar 2017 \$000 Audited
Cash and cash equivalents		26,987	6,245	67,830
Trade receivables		13,082	10,254	13,082
Prepayments and sundry receivables		2,445	3,369	4,558
Current assets		42,514	19,868	85,470
Property, plant and equipment	B1	958,907	908,115	930,422
Investment properties	B2	74,050	68,952	69,795
Non current assets		1,032,957	977,067	1,000,217
Total assets		1,075,471	996,935	1,085,687
Trade and other payables		342	900	2,523
Current tax payable		8,082	7,426	14,803
Accruals and other liabilities		17,640	16,541	15,435
Accrued employee benefits		2,416	2,055	2,595
Loans and borrowings	C1	-	90,000	90,000
Current liabilities		28,480	116,922	125,356
Deferred taxation		116,248	113,834	115,223
Derivative financial instruments		4,772	8,595	4,811
Loans and borrowings	C1	426,741	265,855	327,437
Non current liabilities		547,761	388,284	447,471
Attributable to shareholders		499,230	491,729	512,860
Total equity		499,230	491,729	512,860
Total equity and liabilities		1,075,471	996,935	1,085,687

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 2017

	Note	6 months 30 Sep 2017 \$000 Unaudited	6 months 30 Sep 2016 \$000 Unaudited	12 months 31 Mar 2017 \$000 Audited
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		63,755	59,387	117,448
Interest received		567	246	343
		64,322	59,633	117,791
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(12,599)	(12,996)	(24,530)
Interest paid		(9,719)	(12,315)	(21,664)
		42,004	34,322	71,597
Subvention payment	D1	(37,610)	(38,762)	(38,894)
Net cash flows from operating activities		4,394	(4,440)	32,703
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Proceeds from sale of property, plant and equipment		9	-	12
		9	-	12
<i>Cash was disbursed to:</i>				
Purchase of property, plant and equipment		(42,267)	(43,646)	(80,477)
		(42,267)	(43,646)	(80,477)
Net cash flows from investing activities		(42,258)	(43,646)	(80,465)
Cash flows from financing activities				
<i>Cash was provided from:</i>				
Issue of bonds		99,751	133,479	205,000
		99,751	133,479	205,000
<i>Cash was disbursed to:</i>				
Repayment of bonds		(90,000)	(60,000)	(60,000)
Bond issue costs		(793)	-	(2,260)
Repayment of loans and borrowings		-	(13,000)	(21,000)
Dividend payment	D1	(11,937)	(12,059)	(12,059)
		(102,730)	(85,059)	(95,319)
Net cash flows from financing activities		(2,979)	48,420	109,681
Net (decrease)/increase in cash and cash equivalents		(40,843)	334	61,919
Cash and cash equivalents balance at the beginning of the period		67,830	5,911	5,911
Cash and cash equivalents balance at the end of the period		26,987	6,245	67,830
Reconciliation of net profit after taxation to net cash flows from operating activities:				
		6 months 30 Sep 2017 \$000 Unaudited	6 months 30 Sep 2016 \$000 Unaudited	12 months 31 Mar 2017 \$000 Audited
Net (loss)/profit after taxation		(1,741)	(5,025)	16,098
Increase in value of financial instruments designated at fair value through profit or loss		(40)	(4,544)	(8,327)
Depreciation		11,451	9,983	21,654
Investment properties revaluation increase		(3,866)	-	(820)
Other movements not involving cash flows		344	1,556	1,188
Movements in working capital		(1,754)	(6,410)	2,910
Net cash flows from operating activities		4,394	(4,440)	32,703

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 2017

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 subsidiary, Wellington Airport Noise Treatment Limited (WANT 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.

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 2017 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. The application of new or amended standards has no material impact on the amounts recognised in these interim financial statements.

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 2017 and should be read in conjunction with the Annual Report. No changes have been made from the accounting policies used in the Annual Report, which can be obtained from WIAL's registered office or from its website www.wellingtonairport.co.nz.

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

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 2017 as published in the 2017 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.

A. FINANCIAL PERFORMANCE

A1. Segment reporting and non-NZ GAAP measure.....	7
A2. Operating expenses.....	7

B. FIXED ASSETS

B1. Property, plant and equipment.....	8
B2. Investment properties.....	8

C. FUNDING

C1. Loans and borrowings.....	8
-------------------------------	---

D. OTHER NOTES

D1. Related parties.....	9
D2. Capital commitments.....	10
D3. Contingency and subsequent events.....	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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 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 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Net (loss)/profit after taxation	(1,741)	(5,025)	16,098
Subvention payment	37,610	38,762	38,894
Net financing expense	9,551	7,546	13,104
Taxation income	(5,695)	(7,805)	960
Depreciation	11,451	9,983	21,654
Investment properties revaluation net increase	(3,866)	-	(820)
Loss on sale of property, plant and equipment	-	274	654
EBITDAF before subvention payment	47,310	43,735	90,544

A2. Operating expenses

	6 months 30 Sep 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Fees paid to auditors:			
Audit of statutory financial statements	39	40	82
Taxation and other assurance services (Note 1)	99	49	62
Directors' fees	234	232	455
Regulatory compliance and airline pricing consultation (Note 2)	297	567	703
Marketing and development	1,034	569	1,393
Cleaning and energy	1,118	1,107	2,049
Rates and insurance	2,581	2,357	4,795
Repairs and maintenance	1,205	1,158	2,412
Operating leases	397	402	731
Noise mitigation program	938	228	775
Administration and other expenses	3,253	2,819	5,422
Total operating expenses	11,195	9,528	18,879

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

Note 2 - In addition to these costs, WIAL has incurred \$0.4m (30 September 2016: \$0.1m and 31 March 2017: \$0.2m) 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 2017

B. FIXED ASSETS

B1. Property, plant and equipment	6 months 30 Sep 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Opening balance	930,422	870,076	870,076
Additions	40,334	45,236	79,258
Transfer between property, plant and equipment and investment properties	(389)	(84)	(125)
Disposals	(9)	-	(3)
Depreciation	(11,451)	(9,983)	(21,654)
Movement in asset revaluation	-	2,870	2,870
Closing balance	958,907	908,115	930,422

Revaluation

Land, buildings and civil assets are valued at least every 5 years. Land, buildings and civil assets were last revalued by independent registered valuers as at 31 March 2016 in accordance with the New Zealand Institute of Valuers asset valuation standards. Details of the valuations are set out in the 2017 Annual Report.

Capitalised borrowing costs

For the period ended 30 September 2017, capitalised borrowing costs relating to capital work in progress amounted to \$1.7 million (30 September 2016: \$1.3 million, 31 March 2017: \$2.4 million), with an average capitalisation rate of 5.3% (30 September 2016: 5.9%, 31 March 2017: 5.6%).

B2. Investment properties

As at 30 September 2017, the fair value of investment properties were assessed by independent valuers Jones Lang Lasalle (JLL). This valuation estimated a fair value of \$74.1 million (30 September 2016: \$69.0 million, 31 March 2017: \$69.8 million) which, in addition to the \$0.4 million transferred from property, plant and equipment as outlined in note B1, resulted in a valuation increase of \$3.9 million (30 September 2016: Nil, 31 March 2017: \$0.8 million). This valuation increase is recognised in the consolidated statement of comprehensive income.

The valuation increase was a result of a change in the weighted average income capitalisation rate which is one of the key inputs used in estimating fair value. The weighted average income capitalisation rate used was 7.6% (30 September 2016: 8.1%, 31 March 2017: 8.0%). There were no other changes to assumptions or valuation methodology applied by JLL as set out in the 2017 Annual Report.

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 2017 Annual Report.

				6 months 30 Sep 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
				\$000	\$000	\$000
	Issue Date	Maturity	Interest Rate	Unaudited	Unaudited	Audited
Bank facilities Tranche A	Jul-14	Jun-18	Various	-	8,000	-
Bank facilities Tranche B	Jul-14	Jun-19	Various	-	-	-
Wholesale bonds WIA0817	Aug-07	Aug-17	Floating	-	90,000	90,000
Wholesale bonds WIA0619	Jun-13	Jun-19	Floating	25,000	25,000	25,000
Wholesale bonds WIA0620	Jun-13	Jun-20	5.27%	25,000	25,000	25,000
Retail bonds WIA020	Nov-13	May-21	6.25%	75,000	75,000	75,000
Retail bonds WIA030	May-16	May-23	4.25%	75,000	75,000	75,000
Retail bonds WIA040	Aug-16	Aug-24	4.00%	60,000	60,000	60,000
Retail bonds WIA050	Dec-16	Jun-25	5.00%	70,000	-	70,000
USPP Senior Notes - Series A (US\$36 million)	Jul-17	Jul-27	3.47%	49,884	-	-
USPP Senior Notes - Series B (US\$36 million)	Jul-17	Jul-29	3.59%	49,884	-	-
Total borrowings at face value				429,768	358,000	420,000
Unamortised transaction costs				(3,027)	(2,145)	(2,563)
Carrying value of borrowings				426,741	355,855	417,437
Current				-	90,000	90,000
Non-current				426,741	265,855	327,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 30 SEPTEMBER 2017

C1. Loans and borrowings (continued)

Bank facilities

The Group's debt includes 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. The Group has not utilised the facilities during the six month period ended 30 September 2017 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 2017, the bonds had a fair value of \$344.0 million (30 September 2016: \$365.1 million, 31 March 2017: \$427.3 million).

In August 2016, the Company terminated certain interest rate contracts with a combined notional value of \$85 million. This resulted in a one-off charge to interest expense of \$3.2 million during the year ended 31 March 2017, offset by a corresponding reduction in the consolidated statement of comprehensive income to reflect the revised fair value of financial instruments designated at fair value through profit or loss.

USPP notes

On 27 July 2017 WIAL completed its inaugural United States Private Placement (USPP) senior note issuance, securing US\$72 million of long term debt. The USPP comprised two equal tranches, a US\$36 million 10 year senior note with a coupon of 3.47% and a US\$36 million 12 year senior 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 (WIA0817) and for investments in major capital projects. In conjunction with the USPP issuance, WIAL entered into Cross Currency Interest Rate Swaps (CCIRS) to convert the proceeds into New Zealand dollars and to manage the exposure to foreign currency risk and interest rate risk over the term of the senior notes. At 30 September 2017, the USPP notes had a fair value of \$94.9 million (30 September 2016: Nil, 31 March 2017: Nil). 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 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Transactions made during the period			
Infratil and its subsidiaries			
Infratil Group - subvention payment	(37,610)	(38,762)	(38,894)
Cityline NZ Limited - Airport Flyer Bus services	137	152	274
Infratil Limited - Insurance and other costs	(96)	(83)	(83)
H.R.L. Morrison & Co Limited			
Directors' fees	(129)	(160)	(305)
Consulting and other fees	(9)	(7)	(48)
Directors fees were paid during the six month period to H.R.L. Morrison & Co Limited, the company responsible for the day to day management of Infratil Limited, of \$129,457 for the services of T Brown, J Boyes and P Walker as Directors and Audit and Risk Committee members (30 September 2016: \$160,000, 31 March 2017: \$305,683).			
Wellington City Council			
Dividend payment	(11,937)	(12,059)	(12,059)
Directors' fees	(30)	(30)	(60)
Rates	(1,395)	(1,316)	(2,438)
Grants	500	1,216	1,508
Consents and compliance costs	(9)	(71)	(278)

Directors fees of \$30,000 were paid during the six month period to the Wellington City Council, for the services of A Foster as a Director (30 September 2016: \$30,000, 31 March 2017: \$60,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

D1. Related parties (continued)

	6 months 30 Sep 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Balance receivable/(payable) as at the end of the period			
H.R.L. Morrison & Co Limited	(48)	(93)	(140)
Cityline NZ Limited	26	19	29
Wellington City Council	4	72	-

D2. Capital commitments

	6 months 30 Sep 2017	6 months 30 Sep 2016	12 months 31 Mar 2017
	\$000	\$000	\$000
	Unaudited	Unaudited	Audited
Contracted but not provided for	67,929	40,630	32,229

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 2017 (30 September 2016: Nil, 31 March 2017: Nil).

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