WELLINGTON INTERNATIONAL AIRPORT LIMITED

Consolidated Annual Report
For the Year Ended 31 March 2017

DIRECTORS' REPORT

The Directors have pleasure in presenting to shareholders the consolidated annual report for Wellington International Airport Limited (WIAL and/or the Company) for the year ended 31 March 2017.

Directors

The Directors of WIAL during the year were:

- Timothy Brown, Chairman
- Jason Boyes
- Keith Sutton
- Andrew Foster (appointed 26 October 2016)
- Phillip Walker (appointed 1 November 2016)
- Alison Gerry (appointed 1 February 2017)
- Celia Wade-Brown (retired 26 October 2016)
- Steven Fitzgerald (retired 1 November 2016)
- Peter Coman (retired 1 February 2017)

Andrew Lamb joined the Board as an observer from 22 August 2016 as part of a Cadetship under the Company's Aspiring Directors Programme.

Group's Affairs and Nature of Business

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

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

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

Earnings After Subvention Payment and Dividends

Total revenue for the year was $119.6 million. The net profit after taxation amounted to $16.1 million after a $38.9 million subvention was paid to a subsidiary of Infratil Limited.

During the year a dividend of $12.1 million was paid to Wellington City Council.

Retained Earnings

Retained earnings was $98.7 million, an increase for the year of $4.0 million.

Asset Revaluation Reserve

The asset revaluation reserve at 31 March 2017 was $404.9 million.

Liabilities

The liabilities of WIAL are not guaranteed by its shareholders.

Auditors

KPMG remained the Group's auditors during the year.

On behalf of the Board

Timothy Brown
Chairman
9 May 2017

Alison Gerry
Chair of the Audit and Risk Committee
9 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 $000	2016 $000
Aircraft movement and terminal charges		70,313	65,939
Property rent and lease income		12,211	11,826
Retail and trading activities		37,039	35,745
Total revenue		**119,563**	**113,510**
Operating expenses	A3	(18,879)	(17,724)
Employee remuneration and benefits	A4	(10,140)	(9,645)
Subvention payment	D2	(38,894)	(39,517)
Total operating and other expenditure		**(67,913)**	**(66,886)**
Investment properties revaluation net increase	B2	820	1,889
Depreciation	B1	(21,654)	(16,469)
Loss on sale of property, plant and equipment		(654)	(114)
Operating earnings before interest and financing expense		**30,162**	**31,930**
Interest income		834	342
Interest expense	C2	(22,265)	(17,116)
Increase/(Decrease) in value of financial instruments designated at fair value through profit or loss	C3	8,327	(2,636)
Net financing expense		**(13,104)**	**(19,410)**
Net profit from continuing operations before taxation		**17,058**	**12,520**
Taxation (expense)/income	A5	(960)	3
Net profit after taxation		**16,098**	**12,523**
Other comprehensive income			
Items which will not be reclassified to profit or loss			
Property, plant and equipment revaluation	B1	2,870	91,399
Income tax relating to components of other comprehensive income	A5	(717)	(22,441)
		2,153	**68,958**
Total comprehensive income		**18,251**	**81,481**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Capital	Asset Revaluation Reserve	Other Reserve	Retained Earnings	Total Equity
		Attributable to Equity Holders				
		$000	$000	$000	$000	$000
Balance as at 1 April 2016		**9,050**	**402,787**	**141**	**94,662**	**506,640**
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)
Dividends to equity holders		-	-	-	(12,059)	(12,059)
Total contributions by and distributions to owners		**-**	**-**	**28**	**(12,059)**	**(12,031)**
Balance as at 31 March 2017	C1	**9,050**	**404,940**	**169**	**98,701**	**512,860**

	Note	Capital	Asset Revaluation Reserve	Other Reserve	Retained Earnings	Total Equity
		Attributable to Equity Holders				
		$000	$000	$000	$000	$000
Balance as at 1 April 2015		**9,050**	**333,829**	**140**	**95,089**	**438,108**
Comprehensive income						
Net profit		-	-	-	12,523	12,523
Other comprehensive income		-	68,958	-	-	68,958
Total comprehensive income		**-**	**68,958**	**-**	**12,523**	**81,481**
Contributions by and distributions to owners						
Executive redeemable shares issued		-	-	60	-	60
Executive redeemable shares converted		-	-	(59)	-	(59)
Dividends to equity holders		-	-	-	(12,950)	(12,950)
Total contributions by and distributions to owners		**-**	**-**	**1**	**(12,950)**	**(12,949)**
Balance as at 31 March 2016	C1	**9,050**	**402,787**	**141**	**94,662**	**506,640**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 $000	2016 $000
Cash and cash equivalents	C3	67,830	5,911
Trade receivables	C3	13,082	11,224
Prepayments and sundry receivables		4,558	3,086
Current assets		**85,470**	**20,221**
Property, plant and equipment	B1	930,422	870,076
Investment properties	B2	69,795	68,850
Non current assets		**1,000,217**	**938,926**
Total assets		**1,085,687**	**959,147**
Trade and other payables	C3	2,523	683
Current tax payable	A5	14,803	15,496
Accruals and other liabilities		15,435	13,204
Accrued employee benefits	A4	2,595	2,037
Loans and borrowings	C2	90,000	-
Current liabilities		**125,356**	**31,420**
Deferred taxation	A5	115,223	112,852
Derivative financial instruments	C3	4,811	13,138
Loans and borrowings	C2	327,437	295,097
Non current liabilities		**447,471**	**421,087**
Attributable to shareholders		512,860	506,640
Total equity		**512,860**	**506,640**
Total equity and liabilities		**1,085,687**	**959,147**

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

On behalf of the Board

Timothy Brown
Chairman
9 May 2017

Alison Gerry
Chair of the Audit and Risk Committee
9 May 2017

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		$000	**$000**
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		117,448	112,867
Interest received		343	342
		117,791	**113,209**
Cash was disbursed to:			
Payments to suppliers and employees		(24,530)	(26,794)
Interest paid		(21,664)	(15,997)
		71,597	**70,418**
Subvention payment	D2	(38,894)	(39,517)
Net cash flows from operating activities		**32,703**	**30,901**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		12	10
		12	**10**
Cash was disbursed to:			
Purchase of property, plant and equipment		(80,477)	(55,359)
		(80,477)	**(55,359)**
Net cash flows from investing activities		**(80,465)**	**(55,349)**
Cash flows from financing activities			
Cash was provided from:			
Drawdown of loans and borrowings		-	21,000
Issue of bonds		205,000	-
		205,000	**21,000**
Cash was disbursed to:			
Repayment of bonds		(60,000)	-
Bond issue costs		(2,260)	-
Repayment of loans and borrowings		(21,000)	-
Dividend payment	D2	(12,059)	(12,950)
		(95,319)	**(12,950)**
Net cash flows from financing activities		**109,681**	**8,050**
Net increase/(decrease) in cash and cash equivalents		61,919	(16,398)
Cash and cash equivalents balance at the beginning of the year		5,911	22,309
Cash and cash equivalents balance at the end of the year	C3	**67,830**	**5,911**

	2017	2016
Reconciliation of net profit after taxation to net cash flows from operating activities:	**$000**	**$000**
Net profit after taxation	**16,098**	**12,523**
(Increase)/Decrease in value of financial instruments designated as fair value through profit or loss	(8,327)	2,636
Depreciation	21,654	16,469
Investment properties revaluation net increase	(820)	(1,889)
Other movements not involving cash flows	1,188	(1,532)
Movements in working capital	2,910	2,694
Net cash flows from operating activities	**32,703**	**30,901**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

REPORTING ENTITY

The financial statements presented are those of the consolidated Wellington International Airport Limited Group (the Group), comprising Wellington International Airport Limited (WIAL and/or the Company) and its subsidiary, 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

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

BASIS OF PREPARATION

The consolidated financial statements are general purpose financial statements and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements are presented for the year ended 31 March 2017 and were approved by the Board of Directors on 9 May 2017.

Basis of measurement

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

SIGNIFICANT ACCOUNTING POLICIES

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

USE OF ACCOUNTING ESTIMATES AND JUDGEMENT

These consolidated financial statements comply 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.

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

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

FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Audit and Risk Committee also has a function of reviewing management practices in relation to identification and management of significant business risk areas and regulatory compliance. The Group has developed a comprehensive enterprise wide risk management framework. Management and the Board participate in the identification, assessment and monitoring of new and existing risks. Particular attention is given to strategic risks that could affect the Group. Management report to the Audit and Risk Committee and the Board on the Group's risks and the controls and treatments for those risks. Financial risk management principles are disclosed within the specific notes shown below:

Area of risk management	**Note**
Capital risk	Note C1 Share capital
Market risk	Note C2 Loans and borrowings
Liquidity risk	Note C3 Financial Instruments
Credit risk	Note C3 Financial Instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

NOTE CATEGORIES

NOTE ANNOTATIONS

P	Accounting policy
E	Key judgements and estimates
R	Financial risks

A. FINANCIAL PERFORMANCE

A1. Segment reporting and non-NZ GAAP measure

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

The Group has two major customers that individually contribute greater than 10% of the Group's revenue. The revenue earned from these customers for the year ended 31 March 2017 was $65.6 million (2016: $59.0 million).

The Group refers to a non-NZ GAAP financial measure of earnings before interest, tax, depreciation, amortisation, change in fair value of financial instruments, impairments and gain/(loss) on sale of assets (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, NZIFRS, or any other body of accounting standards, the Group's calculations may differ from similarly titled measures presented by other companies.

	2017	2016
	$000	$000
Net profit after taxation	**16,098**	**12,523**
Subvention payment	38,894	39,517
Net financing expense	13,104	19,410
Taxation expense/(income)	960	(3)
Depreciation	21,654	16,469
Investment property revaluation net increase	(820)	(1,889)
Loss on sale of property, plant and equipment	654	114
EBITDAF before subvention payment	**90,544**	**86,141**

A2. Revenue

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

Revenue recognition

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Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities net of the amount of Goods and Services Tax (GST).

Aircraft movement and terminal charges

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

Property rent and lease income

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

Retail and trading activities

Retail concession fees are recognised as revenue on an accrual basis in accordance with the agreements. Revenue from car parks is recognised once the service is delivered.

Interest income

Interest income is recognised as it accrues, using the effective interest rate method. Refer to note C2 and C3 for further information regarding the interest rate contracts in place.

A3. Operating expenses

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

	2017	2016
Fees paid to auditors:	$000	$000
Audit of statutory financial statements	82	96
Taxation and other assurance services *(Note 1)*	62	66
Directors' fees	455	458
Regulatory compliance and airline pricing consultation *(Note 2)*	703	923
Marketing and development	1,393	1,657
Cleaning and energy	2,049	1,796
Rates and insurance	4,795	4,161
Repairs and maintenance	2,412	2,319
Operating lease expenses	731	845
Administration and other expenses	6,197	5,403
Total operating expenses	**18,879**	**17,724**

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

Note 2 - In addition to these costs, the Group have incurred $0.2m (2016: $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 included in capital work in progress at note B1.

A4. Employee remuneration and benefits

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Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and the amount can be measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

WIAL participates in two staff share schemes, namely an executive share scheme and a staff share purchase scheme. In association with employee participation in the staff share purchase scheme, WIAL has recorded $35,410 in interest free loans as at 31 March 2017 (2016: $25,170).

Accrued employee benefits	2017	2016
	$000	$000
Salaries and wages	1,980	1,503
Annual and long service leave	615	534
Total accrued employee benefits	**2,595**	**2,037**

Key management personnel disclosures

Key management personnel include the Directors of WIAL, the Chief Executive Officer and those personnel reporting directly to the Chief Executive Officer. The Directors' fees for the year ended 31 March 2017 of $455,156 (2016: $458,000) disclosed in Note A3 are included within short-term employee benefits as they form part of the remuneration to key management personnel.

WIAL has recorded $778,342 as an expense in profit or loss in respect of the executive share scheme for the year ended 31 March 2017 (2016: $510,104).

	2017	2016
	$000	$000
Short-term employee benefits	**3,581**	**3,444**

A5. Taxation

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Current and deferred tax is recognised in profit or loss in the statement of comprehensive income, except when it relates to items credited or debited directly to equity or in other comprehensive income, in which case the deferred tax or current tax is also recognised directly in equity or in other comprehensive income. Current tax is the expected tax receivable/(payable) on the taxable (loss)/income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

	2017	2016
	$000	$000
Net profit before taxation	**17,058**	**12,520**
Taxation for the year at 28% (2016: 28%)	(4,776)	(3,506)
Subvention payment made in respect of prior period	(10,890)	(11,064)
Taxation effect of non deductible expenses	(88)	381
Loss offset	4,596	3,314
Over provision in prior years	10,198	10,878
Taxation (expense)/income	**(960)**	**3**
Current taxation	694	(1,643)
Deferred taxation	(1,654)	1,646
Taxation (expense)/income	**(960)**	**3**

P

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

	Property, plant and equipment	Investment properties	Derivative financial instruments	Accrued employee benefits	Other	Total
	$000	$000	$000	$000	$000	$000
Balance at 1 April 2016	(108,318)	(9,101)	4,603	306	(342)	(112,852)
Recognised in profit and loss	1,887	(867)	(2,720)	95	(49)	(1,654)
Recognised in other comprehensive income	(717)	-	-	-	-	(717)
Balance at 31 March 2017	**(107,148)**	**(9,968)**	**1,883**	**401**	**(391)**	**(115,223)**
Balance at 1 April 2015	(86,804)	(9,036)	3,814	139	(170)	(92,057)
Recognised in profit and loss	927	(65)	789	167	(172)	1,646
Recognised in other comprehensive income	(22,441)	-	-	-	-	(22,441)
Balance at 31 March 2016	**(108,318)**	**(9,101)**	**4,603**	**306**	**(342)**	**(112,852)**

B. FIXED ASSETS

B1. Property, plant and equipment

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

Depreciation

Depreciation is calculated systematically on a straight-line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life. Land and certain civil foundation works are not depreciated.

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

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

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

Capitalised interest

For the year ended 31 March 2017, capitalised borrowing costs relating to capital work in progress, as referred to in Note C2, amounted to $2.4 million (2016: $2.2 million), with an average interest rate of 5.60% per annum (2016: 6.21% per annum).

Valuation of property, plant and equipment

Fair value is determined by an independent valuation or by management using recognised valuation techniques. An independent valuer is engaged to provide a valuation if management does not have sufficient expertise to perform the valuation. Where the assets are of a specialised nature and do not have observable market values in their existing use, optimised depreciated replacement cost is used as the basis of the valuation. Where there is an observable market, an income based approach is used.

Property, plant and equipment was last revalued at 31 March 2016. At the end of the current reporting period, the Group made an assessment of whether the carrying amounts differ materially from fair value. This assessment considered changes in significant inputs since the last revaluation, movements in the capital goods price index and changes in valuations of investment property as an indicator of property, plant and equipment. At 31 March 2017, the assessment is that there is no material change in the fair value of property plant and equipment. The major inputs and assumptions that form the basis of determining fair value and the relevant relationship of the inputs requiring judgement are outlined below.

Description of different valuation approaches

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

Fair value hierarchy levels

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

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

• Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or

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

There were no transfers between levels of the fair value hierarchy during the year ended 31 March 2017 (2016: none).

Unobservable inputs

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

B1. Property, plant and equipment (continued)

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

Description	Valuation approach	Fair value hierarchy level	Significant unobservable inputs		Sensitivity +/- 5% valuation impact	Relationship of unobservable inputs to fair value
Land						
Aeronautical land - used for airport activities and specialised aeronautical assets. Non-aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail, residential and land associated with the vehicle business.	MVEU	3	MVAU rate per hectare	$1.38 million per hectare	A 5% change equates to +/- $13.5m	The higher the rate per hectare, the higher the fair value.
			Developer's WACC rate	11.30%	A 5% change equates to +/- $6.1m	The higher the WACC rate, the higher the fair value.
			Holding period	6 years	A 5% change equates to +/- $9.1m	The longer the holding period, the higher the fair value.
Valued at 31 March 2016 by Telfer Young Limited, registered valuers, at $300.6 million.						
Civil						
Civil works include sea protection and site services, excluding such site services to the extent that they would otherwise create duplication of value.	ODRC	3	Average cost rates per sqm for concrete, asphalt, base course and foundations	Concrete $800 Asphalt $892 Base course $96 Foundations $19	A 5% change equates to +/- $7.2m	The higher the average cost rates, the higher the fair value.
			Estimated remaining useful life	Average remaining useful life 30 years	A 5% change equates to +/- $7.2m	The longer the estimated remaining useful life, the higher the fair value.
Valued at 31 March 2016 by Opus International Consultants Limited at $144.7 million.						
Buildings						
Specialised buildings used for identified airport activities. Non specialised buildings used for purposes other than for identified airport activities, including space allocated within the main terminal building for retail activities, offices and storage.	ODRC	3	Modern equivalent asset rate per sqm	Specialised $5,139	A 5% change equates to +/- $8.5m	The higher the modern equivalent asset rate the higher the fair value.
				Non specialised $1,875	A 5% change equates to +/- $0.4m	The higher the modern equivalent asset rate the higher the fair value.
Vehicle business assets associated with car parking and taxi, shuttle and bus services (excluding land and civil).	DCF and Cap rate	3	Revenue growth	1.81%	A 5% change equates to +/- $0.7m	The higher the assumed revenue growth, the higher the fair value.
			Cost growth	1.81%	A 5% change equates to +/- $0.5m	The higher the assumed cost growth, the lower the fair value.
			Discount rate	10.25%	A 5% change equates to +/- $3.2m	The higher the discount rate, the lower the fair value.
			Income capitalisation rate	8.75%	A 5% change equates to +/- $4.9m	An increase in the capitalisation rate will decrease the fair value.
Valued at 31 March 2016 by Telfer Young Limited, registered valuers, at $344.6 million.						
Vehicles, plant and equipment						
Vehicles, plant and equipment comprises a mixture of specialised and non-specialised assets.	Cost less accumulated depreciation and impairment losses					

B1. Property, plant and equipment (continued)

The Group's assets are outlined by each class of asset and a reconciliation is presented to reflect the movement in the value of property, plant and equipment during the reporting period.

	Land at fair value $000	Civil at fair value $000	Buildings at fair value $000	Vehicles, Plant and Equipment at cost $000	Capital work in progress at cost $000	Total $000
Cost or valuation						
Balance at 1 April 2016	300,595	144,663	344,587	42,874	66,220	898,939
Additions	1,625	-	223	952	76,458	79,258
Transfer from capital work in progress	-	24,617	52,152	2,674	(79,443)	-
Transfer from capital work in progress to investment properties	-	-	-	-	-	-
Transfer from property, plant and equipment assets to investment properties	-	(10)	(115)	-	-	(125)
Disposals	-	-	-	(199)	-	(199)
Movement in asset revaluation	306	-	2,586	(22)	-	2,870
Balance at 31 March 2017	**302,526**	**169,270**	**399,433**	**46,279**	**63,235**	**980,743**
Accumulated depreciation and impairment losses						
Balance at 1 April 2016	-	-	-	28,863	-	28,863
Depreciation for the year	-	7,760	10,285	3,609	-	21,654
Disposals	-	-	-	(196)	-	(196)
Movement in asset revaluation	-	-	-	-	-	-
Balance at 31 March 2017	**-**	**7,760**	**10,285**	**32,276**	**-**	**50,321**
Net book value at 31 March 2017	**302,526**	**161,510**	**389,148**	**14,003**	**63,235**	**930,422**
Cost or valuation						
Balance at 1 April 2015	290,526	157,726	311,912	41,328	21,586	823,078
Additions	-	12	236	882	55,774	56,904
Transfer from capital work in progress	-	3,727	658	1,341	(5,726)	-
Transfer of capital work in progress to investment properties	-	-	-	-	(5,414)	(5,414)
Transfer from property, plant and equipment assets to investment properties	(1,181)	224	220	(5)	-	(742)
Disposals	-	-	(142)	(672)	-	(814)
Movement in asset revaluation	11,250	(17,026)	31,703	-	-	25,927
Balance at 31 March 2016	**300,595**	**144,663**	**344,587**	**42,874**	**66,220**	**898,939**
Accumulated depreciation and impairment losses						
Balance at 1 April 2015	-	22,222	30,245	26,089	-	78,556
Depreciation for the year	-	5,318	7,706	3,445	-	16,469
Disposals	-	-	(19)	(671)	-	(690)
Movement in asset revaluation	-	(27,540)	(37,932)	-	-	(65,472)
Balance at 31 March 2016	**-**	**-**	**-**	**28,863**	**-**	**28,863**
Net book value as at 31 March 2016	**300,595**	**144,663**	**344,587**	**14,011**	**66,220**	**870,076**

At 31 March 2017, had assets been carried at historic cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been $88.2 million for land (2016: $86.6 million), $118.1 million for civil assets (2016: $96.7 million) and $215.3 million for buildings (2016: $168.8 million).

B2. Investment properties

P

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

	2017 $000	2016 $000
Balance at the beginning of the year	68,850	60,805
Transfer from capital work in progress to investment properties	-	5,414
Transfer from property, plant and equipment assets to investment properties	125	742
Investment properties revaluation net increase	820	1,889
Balance at the end of the year	**69,795**	**68,850**
Amounts recognised in profit or loss (excluding revaluations):		
Rental income from investment properties	6,128	5,878
Direct operating expenses arising from investment properties	(757)	(1,147)
Net amount recognised in profit or loss (excluding revaluations)	**5,371**	**4,731**

Valuation of investment properties

E

The fair value of investment properties is estimated by an independent valuer which reflects market conditions at balance date. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of the investment properties.

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

Description	Valuation approach	Fair value hierarchy level	Significant unobservable inputs		Relationship of unobservable inputs to fair value
Investment Properties					
Properties held for investment income earning purposes.	DCF and Cap rate	3	Weighted average discount rate	8.92% (2016: 8.92%)	An increase in the discount rate will decrease the fair value.
			Weighted average income capitalisation rate	8.00% (2016: 8.05%)	An increase in the capitalisation rate will decrease the fair value.
			Weighted average lease term	3.87 years (2016: 3.66 years)	A decrease in the average lease term will ordinarily decrease the fair value.
Valued at 31 March 2017 by Jones Lang LaSalle, registered valuers, at $69.8 million (Valued at 31 March 2016 by Jones Lang LaSalle, registered valuers at $68.9 million).					

C. FUNDING

C1. Share capital

	2017	2016
	$000	$000
Represented by:		
Total issued capital at the beginning and end of the year 40,155,942 ordinary shares	9,050	9,050
Balance at the end of the year	**9,050**	**9,050**

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

Capital risk

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

C2. Loans and borrowings

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

Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest rate method except to the extent that they are capitalised. Borrowing costs that are directly attributable to construction projects of a qualifying asset are capitalised as part of the cost of the assets, as set out in Note B1.

			2017	2016	2017	2016
	Issue Date	Maturity	Interest Rate	Interest Rate	$000	$000
Bank facilities Tranche A	Jul-14	Jun-18	Various	Various	-	15,000
Bank facilities Tranche B	Jul-14	Jun-19	Various	Various	-	6,000
Wholesale bonds WIA0817	Aug-07	Aug-17	Floating	Floating	90,000	150,000
Wholesale bonds WIA0619	Jun-13	Jun-19	Floating	Floating	25,000	25,000
Wholesale bonds WIA0620	Jun-13	Jun-20	5.27%	5.27%	25,000	25,000
Retail bonds WIA020	Nov-13	May-21	6.25%	6.25%	75,000	75,000
Retail bonds WIA030	May-16	May-23	4.25%	-	75,000	-
Retail bonds WIA040	Aug-16	Aug-24	4.00%	-	60,000	-
Retail bonds WIA050	Dec-16	Jun-25	5.00%	-	70,000	-
Total borrowings at face value					**420,000**	**296,000**
Unamortised transaction costs					(2,563)	(903)
Carrying value of borrowings					**417,437**	**295,097**
Current					90,000	-
Non-current					327,437	295,097

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 debt covenant requirements during the year. At 31 March 2017, the bonds had a fair value of $427.3 million (2016: $284.1 million), based on the NZDX valuation at balance date.

During the year ended 31 March 2017, the Company undertook the following bond financing activities:
- on 12 May 2016, the issuance of $75 million of 7 year fixed rate bonds maturing 12 May 2023 (WIA030);
- during August 2016, the issuance of $60 million of 8 year fixed rate bonds maturing 5 August 2024 (WIA040) and the repayment of $60 million of 10 year floating rate notes maturing 1 August 2017 (WIA0817); and
- during the period December 2016 to February 2017 issued $70 million of 8.5 year fixed rate bonds maturing 16 June 2025 (WIA050).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2017

C2. Loans and borrowings (continued)

On 14 December 2016, NZX Regulation granted WIAL a waiver from NZX Listing Rule 5.2.3 (for a period of six months from 19 December 2016) in respect of WIAL's issue of $70 million of unsecured, unsubordinated, fixed rate bonds ("WIA050 Bonds"). Listing Rule 5.2.3 provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 100 members of the public, holding at least 25% of the number of securities in the class issued, with each member holding at least a minimum holding. The effect of the waiver from Listing Rule 5.2.3 is that the WIA050 Bonds may not be widely held and there may be reduced liquidity in the WIA050 Bonds.

Bank facilities Maturity	**Maturity**	**2017 Facility $000**	**2017 Drawn $000**	**2016 Facility $000**	**2016 Drawn $000**
Between 1 and 2 years	Jun-18	70,000	-	-	-
Between 2 and 3 years	Jun-19	30,000	-	70,000	15,000
More than 3 years		-	-	30,000	6,000
		100,000	**-**	**100,000**	**21,000**

The Group's debt includes bank facilities with a negative pledge arrangement, which with limited exceptions do not permit the borrower to grant any security over its assets. The bank facilities require the borrower to maintain certain levels of shareholder funds and operate within defined performance and gearing ratios. The banking arrangements also include restrictions over the sale or disposal of certain assets. The Group has complied with all its debt covenant requirements during the year. Interest rates were determined by reference to prevailing money market rates plus a margin. Interest rates paid during the period ranged from 2.7% to 3.6% (31 March 2016: 3.8% to 4.3%).

Market risk

R

Market risk includes interest rate risk (cash flow and fair value) which is the risk of interest rate volatility negatively affecting the Group's interest expense cash flow and earnings. The Group is not exposed to material foreign currency risk.

Interest rate risk

The Group is exposed to interest rate fluctuations on its bank debt and borrowings. The Group mitigates this risk by issuing term borrowings at fixed interest rates or entering into interest rate swaps to convert floating rate exposures to fixed rate exposure. As at 31 March 2017 the Group has covered 100% of its wholesale bond exposure to floating interest rates with fixed rate swaps (2016: 100%).

	2017	**2016**
At balance date the interest rate contracts outstanding were:	**$000**	**$000**
Interest rate swaps notional value *(Note 1)*	190,000	275,000
Fair value of interest rate swaps	(4,811)	(13,138)
Maturity analysis		
Less than 1 year	90,000	-
Between 1 and 2 years	-	150,000
Between 2 to 5 years	75,000	100,000
More than five years	25,000	25,000
	190,000	**275,000**

Note 1 - During the year ended 31 March 2017, as a result of the financing activities outlined on page 16, WIAL terminated interest rate swaps with a combined notional value of $85m.

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			
	2017 100 bp increase	**2017 100 bp decrease**	**2016 100 bp increase**	**2016 100 bp decrease**
	$000	**$000**	**$000**	**$000**
Wholesale bonds - variable rate instruments	(1,150)	1,150	(1,750)	1,750
Interest rate swaps	3,871	(4,104)	6,817	(6,997)
Net profit and loss sensitivity	**2,721**	**(2,954)**	**5,067**	**(5,247)**

C3. Financial instruments

	2017	2016
Financial instruments carried at amortised cost:	$000	$000
Assets		
Cash and cash equivalents	67,830	5,911
Trade receivables	13,082	11,224
Liabilities		
Trade and other payables	2,523	683
Wholesale bonds	139,869	199,688
Retail bonds	277,568	74,409
Bank facilities	-	21,000

Financial instruments carried at fair value

Derivatives

Derivative financial instruments are recognised initially at fair value at the date they are entered into. Subsequent to initial recognition, derivative financial instruments are re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss. Counterparties to derivative financial instruments are major financial institutions. The Group has not requested security to support derivative financial instruments entered into.

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.

As at 31 March 2017, the Group has interest rate contracts with maturities up to August 2021. The fair value of these derivative financial instruments at 31 March 2017 are a liability of $4.8 million (2016: $13.1 million liability), which is calculated using market-quoted rates based on discounted cash flow analysis by applying marked to market values. The fair value adjustment resulted in an unrealised gain of $8.3 million for the year ended 31 March 2017 (2016: unrealised loss $2.6 million). The fair value measurement of derivatives is categorised as level 2 within the fair value hierarchy and there were no transfers between levels of the hierarchy during the year ended 31 March 2017 (2016: none).

Liquidity risk

Liquidity risk is monitored by regularly forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities. In addition, covenant levels are monitored and reported to the Board, banks and the trustee.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date. The amounts in the tables below are disclosed at fair value, apart from bonds which are disclosed as contractual undiscounted cash flows and include interest through to maturity.

C3. Financial instruments (continued)

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$000	$000	$000	$000	$000	$000	$000
At 31 March 2017							
Trade and other payables	2,523	2,523	2,523	-	-	-	-
Bank facilities	-	-	-	-	-	-	-
Retail bonds	277,568	369,563	6,888	6,888	13,775	113,981	228,031
Wholesale bonds	139,869	147,481	92,084	1,071	2,143	52,183	-
Derivative financial instruments	4,811	7,296	2,330	979	1,993	1,994	-
Total liabilities	**424,771**	**526,863**	**103,825**	**8,938**	**17,911**	**168,158**	**228,031**
At 31 March 2016							
Trade and other payables	683	683	683	-	-	-	-
Bank facilities	21,000	21,000	-	-	-	21,000	-
Retail bonds	74,409	100,782	2,344	2,344	4,688	14,063	77,343
Wholesale bonds	199,688	213,984	2,846	2,846	153,930	54,362	-
Derivative financial instruments	13,138	15,172	3,529	3,529	4,661	3,421	32
Total liabilities	**308,918**	**351,621**	**9,402**	**8,719**	**163,279**	**92,846**	**77,375**

Credit risk

The Group is exposed to credit risk in the normal course of business including those arising from trade receivables with its customers, financial derivatives and transactions (including cash balances) with financial institutions. Cash is held with counterparties approved under the Group's Treasury Policy. At 31 March 2017 cash was held with ANZ Bank New Zealand Limited, Bank of New Zealand and The Bank of Tokyo-Mitsubishi UFJ, Limited. The Group minimises its exposure to credit risk of trade receivables through the adoption of counterparty credit limits and standard payment terms. Derivative and cash transactions are limited to high credit-quality financial institutions and other organisations in the relevant industry.

The Group's exposure and the credit ratings of counterparties are monitored, and the aggregate value of transactions are spread amongst approved counterparties.

The Group has exposure to various counterparties. Maximum exposures to credit risk at 31 March 2017 relate to bank balances of $67.8 million (2016: $5.9 million) and trade receivables of $13.1 million (2016: $11.2 million). No security is held for these amounts. Concentration of credit risk with respect to trade receivables is concentrated in a small number of accounts because the Group has a limited range of customers. At 31 March 2017, 76% of trade receivables were due from the top ten largest debtors (2016: 78%) and 10% of trade receivables were overdue (2016: 9%). The Group actively manages and monitors its accounts receivable on an ongoing basis. The Group is not exposed to any other concentrations of credit risk.

D. OTHER NOTES

D1. Subsidiaries

	Balance Date	2017 Holding	2016 Holding	Principal activity	Country of incorporation
WANT Limited	31 March	100%	100%	Noise mitigation	New Zealand

The Land Use Management and Insulation for Airport Noise Study was undertaken by WIAL in conjunction with its airlines, Board of Airline Representatives New Zealand Inc, Wellington City Council and the local Air Noise Management Committee in order to fulfil WIAL's obligations arising from Environment Court proceedings in 1997. The work identified from this study includes the acquisition and removal of noise affected houses and the provision of noise mitigation and insulation activities for others. WIAL commenced charging the airlines operating at Wellington Airport for these activities from 1 April 2012 and the charge for the current year is approximately 32 cents per passenger. These charges and noise mitigation activities are managed in WANT Limited, a wholly owned subsidiary of WIAL. WANT Limited has forecast that it will have predominantly concluded the noise management activities by the end of the financial year ending 31 March 2022 and it is expected that the charges will recover the noise mitigation costs over the period from 1 April 2012 to 31 March 2022. WANT Limited commenced trading on 1 April 2012.

D2. 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.

	Transactions for the year ended 31 March		Balance receivable/(payable) as at 31 March	
Transactions made during the period	**2017**	**2016**	**2017**	**2016**
Infratil and its subsidiaries	**$000**	**$000**	**$000**	**$000**
Infratil Group - subvention payment	(38,894)	(39,517)	-	-
Cityline NZ Limited - Airport Flyer Bus concessions	274	281	29	28
Infratil Limited - Insurance and other costs	(83)	(128)	-	-
H.R.L. Morrison & Co Limited				
Directors' fees	(305)	(320)	(140)	(93)
Consulting and other fees	(48)	(42)	-	-

Directors' fees of $305,683 (2016: $320,000) were paid during the year to H.R.L. Morrison & Co, the company responsible for the day-to-day management of Infratil Limited, for the directorial services of T Brown, P Coman, S Fitzgerald, J Boyes and P Walker, and S Fitzgerald and J Boyes as Audit and Risk Committee members.

Wellington City Council				
Dividend payment	(12,059)	(12,950)	-	-
Directors' fees	(60)	(60)	-	-
Rates	(2,438)	(2,495)	-	(3)
Grants	1,508	1,261	-	10
Consents and compliance costs	(278)	(282)	-	-

Directors fees of $60,000 (2016: $60,000) were paid during the year to the Wellington City Council, for the services of C Wade-Brown and A Foster as Directors.

D3. Financial commitments

Capital commitments	2017 $000	2016 $000
Contracted but not provided for	**32,229**	**59,382**

The commitments contracted but not provided for includes the multi level car park works. In addition to the above, on 4 April 2017 the Group entered further contractual commitments of $36.7m in relation to capital works.

Lease commitments

Lease commitments to the Group

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

	2017 $000	2016 $000
Between 0 to 1 year	19,346	8,848
Between 1 to 2 years	17,683	6,463
Between 2 to 5 years	39,899	13,411
More than 5 years	15,698	7,303
Total lessor commitments	**92,626**	**36,025**

Lease commitments of the Group

The Group has commitments under operating leases relating to the lease of premises and hire of plant and equipment. The lease periods range from 1 to 20 years. The future minimum lease payments under non-cancellable leases are payable as follows:

	2017 $000	2016 $000
Between 0 to 1 year	846	816
Between 1 to 2 years	803	792
Between 2 to 5 years	2,312	2,246
More than 5 years	1,853	2,602
Total lessee commitments	**5,814**	**6,456**

D4. Contingency and subsequent events

There were no contingent liabilities at 31 March 2017 (2016: nil).

There were no events subsequent to 31 March 2017 to the date these financial statements are signed requiring adjustment or disclosure in the annual report, other than the contractual commitments disclosed in note D3.

D5. Changes in financial reporting standards

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

NZ IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. NZ IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The likely impact of this standard has not yet been assessed, however it is not expected to have a material impact on the Group's financial statements.

NZ IFRS 15 Revenue from Contracts with Customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The likely impact of this standard has not yet been assessed, however it is not expected to have a material impact on the Group's financial statements.

NZ IFRS 16 Leases, removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The likely impact of this standard has not yet been assessed, however it is not expected to have a material impact on the Group's financial statements.

STATUTORY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2017

Directors' interests

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

Director	Name of party in which Director has an interest	Nature of interest
Timothy Brown	Creative Capital Arts Trust	Chairman
	MCL Capital Limited	Chairman
	MCL Capital No. 1 Limited	Chairman
	Mana Capital Holdings Limited	Director
	New Zealand Opera Limited	Director
	North West Auckland Airport Limited	Director
	H.R.L. Morrison & Co Limited	Executive
Jason Boyes	H.R.L. Morrison & Co Limited	Executive
	New Zealand Bus Limited	Director
	New Zealand Bus Company Finance Limited	Director
Andrew Foster	Wellington City Council	Councillor
Alison Gerry	New Zealand Clearing and Depository Limited	Chair
	Infratil Limited	Director
	NZX Limited	Director
	Spark New Zealand Limited	Director
	Vero Insurance New Zealand Limited	Director
	Vero Liability Insurance New Zealand Limited	Director
	Asteron Life Limited	Director
	Lindis Crossing Vineyard Limited	Director
	Glendora Holdings Limited	Director
	Glendora Avocados Limited	Director
	Bizgirls Limited	Director
Keith Sutton	Tasmanian Land Company Limited	Chairman
Independent Director	Gough Group Limited	Director
	Rural Livestock Limited	Director
	Te Tumu Paeroa Advisory Board	Member
	Sutton McCarthy Limited	Director
	The Van Diemen's Land Company	Governor
	Tasman Farms Limited	Chairman
Phillip Walker	H.R.L. Morrison & Co Limited	Executive
	Perth Airport Pty Limited	Alternate Director
	Perth Airport Development Group Pty Limited	Alternate Director
	PAPT Holdings Pty Limited	Alternate Director
	PAPT Nominees Pty Limited	Alternate Director

STATUTORY INFORMATION (continued)
FOR THE YEAR ENDED 31 MARCH 2017

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

Director name	Fees
Timothy Brown (Chairman)	$120,000
Jason Boyes	$70,000
Peter Coman (resigned 1 February 2017)	$50,167
Steven Fitzgerald (resigned 1 November 2016)	$40,897
Keith Sutton	$77,200
Celia Wade-Brown (resigned 26 October 2016)	$34,239
Andrew Foster (appointed 26 October 2016)	$25,761
Alison Gerry (appointed 1 February 2017)	$12,272
Phillip Walker (appointed 1 November 2016)	$24,620

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

Entries in the interest register
The information below is given pursuant to the New Zealand Exchange Listing Rules.

	Beneficial Interest	Non Beneficial Interest
Retail Bonds		
Timothy Brown	$100,000	-
Keith Sutton	-	$4,500,000

$3.0m of Non Beneficial Interest bonds were purchased during the year ended 31 March 2017. All previously existing bonds were purchased during the year ended 31 March 2014.

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

Use of Group information

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

Directors' indemnity insurance

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

FOR THE YEAR ENDED 31 MARCH 2017

Remuneration of employees

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

Amount of remuneration	Employees
$100,000 to $110,000	3
$110,001 to $120,000	5
$130,001 to $140,000	3
$140,001 to $150,000	1
$150,001 to $160,000	2
$160,001 to $170,000	3
$170,001 to $180,000	2
$180,001 to $190,000	1
$190,001 to $200,000	2
$250,001 to $260,000	1
$270,001 to $280,000	1
$310,001 to $320,000	1
$340,001 to $350,000	1
$370,001 to $380,000	1
$430,001 to $440,000	1
$900,001 to $910,000	1

Diversity of personnel

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

At 31 March 2017, the WIAL Board consisted of five male Directors and one female Director (31 March 2016: five male Directors and one female Director), and the Executive consisted of six male Executives and two female Executives (31 March 2016: six male Executives and two female Executives).

CORPORATE GOVERNANCE

Role of the Board

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

The Board actively engages with the Health and Safety Risk Committee by attending meetings. The Committee is accountable to the Board with its purpose being to promote and execute a safety culture. The Committee provides a formal mechanism for consultation on safety issues whilst ensuring continuous measurement, review and improvement of safety policies and procedures with the goal of zero harm and meeting compliance requirements on an ongoing basis.

Board Membership

The Board currently comprises six non-executive Directors.

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

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

Directors' Shareholding

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

Audit and Risk Committee

The Board has established an Audit and Risk Committee comprising of three Directors, A Gerry (Chair), K Sutton and J Boyes with attendances by appropriate WIAL representatives.

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

- Assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the Group's governance processes including assessing the adequacy of the Group's:
    - financial reporting;
    - regulatory disclosure reporting;
    - accounting policies;
    - financial management;
    - internal control system;
    - procurement process controls;
    - risk management system;
    - systems for protecting Group assets;
    - related party transactions; and
    - compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial and non-financial disclosures.
- Enhance the efficiency of the Board by allowing delegated issues to be discussed in sufficient depth and, where necessary, with appropriate independent advice.
- Review management's letters of representation.
- Ensure the adequacy of the internal control system for financial reporting integrity.
- Facilitate the continuing independence of the external and internal auditors and enhancing the effectiveness of external and internal audit.
- Provide a formal forum for enhancing communication between the Board, senior financial management and external and internal auditors, ensuring there has been no unjustified restrictions or limitations placed on the auditors.

During the period under review the Audit and Risk Committee met four times with a full agenda.

Treasury Committee

The Board has established a Treasury Committee comprising of three Directors, T Brown (Chairman), K Sutton and J Boyes with attendances by appropriate WIAL representatives.

The duties of the Treasury Committee are delegated by the Board and include the following:

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

Remuneration Committee

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

CORPORATE GOVERNANCE (continued)

Internal Financial Control
The Board has overall responsibility for the Group's system of internal financial control. The Directors have established procedures and policies that are designed to provide effective internal financial control.

Annual budgets and long term strategic plans are agreed by the Board.

Financial statements are prepared regularly and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

Risk Management and Compliance
The Audit and Risk Committee also has a function of reviewing management practices in relation to the identification and management of significant business risk areas and regulatory compliance. Formal systems have been introduced for regular reporting to the Board on business risk and compliance matters.

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

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

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

Independent Professional Advice

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

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

Shareholder and other Stakeholder Communications
The Board aims to ensure that shareholders and other stakeholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders and other stakeholders in the annual report, interim report and media releases.

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

FIVE YEAR SUMMARY & STATISTICS

WIAL AIRPORT STATISTICS

	2017	2016	2015	2014	2013
Passenger movements	**000**	**000**	**000**	**000**	**000**
Domestic	5,076	4,899	4,682	4,684	4,647
International	889	897	775	753	727
Total	**5,965**	**5,796**	**5,457**	**5,437**	**5,374**

Aircraft movements	**2017**	**2016**	**2015**	**2014**	**2013**
Domestic	78,496	79,541	78,448	81,744	84,064
International	6,554	6,523	5,526	5,742	5,800
Military, freight, private and other movements	9,764	10,985	9,232	9,055	10,134
Total	**94,814**	**97,049**	**93,206**	**96,541**	**99,998**

Number of employees	**2017**	**2016**	**2015**	**2014**	**2013**
FTE	99	94	94	90	86

WIAL CONSOLIDATED FINANCIAL RESULTS

	2017	2016	2015	2015	2014
Summary of financial position	**$000**	**$000**	**$000**	**$000**	**$000**
Non-current assets	1,000,217	938,926	805,327	799,478	794,089
Current assets	85,470	20,221	36,175	42,848	18,692
Total assets	**1,085,687**	**959,147**	**841,502**	**842,326**	**812,781**
Non-current liabilities	447,471	421,087	376,442	375,638	259,547
Current liabilities	125,356	31,420	26,952	26,356	125,546
Total liabilities	**572,827**	**452,507**	**403,394**	**401,994**	**385,093**
Net assets/Shareholders' equity	**512,860**	**506,640**	**438,108**	**440,332**	**427,688**

	2017	2016	2015	2015	2014
Summary of profit and loss	**$000**	**$000**	**$000**	**$000**	**$000**
Revenue	119,563	113,510	108,310	110,890	106,189
Operating expenses (excluding subvention payment)	(29,019)	(27,369)	(26,202)	(24,858)	(23,249)
EBITDAF before subvention payment	**90,544**	**86,141**	**82,108**	**86,032**	**82,940**
Net profit after taxation	**16,098**	**12,523**	**9,676**	**23,455**	**16,246**

Independent Auditor's Report

To the shareholders of Wellington International Airport Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Wellington International Airport Limited (the company) and its subsidiaries (the Group) on pages 3 to 21:

i. present fairly in all material respects the Group's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2017;

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

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

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.45million determined with reference to a benchmark of adjusted Group profit before tax. We chose the benchmark because, in our view, this is a key measure of the Group's performance. Materiality represents 4.4% of the adjusted benchmark.

Key Audit Matters

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

The key audit matter	**How the matter was addressed in our audit**
Valuation of property, plant and equipment	

As disclosed in note B1 of the financial statements, the Group has land, buildings and civil assets of $853,184,000 (2016: $789,845,000). The Group has a policy of fair valuing land, buildings and civil assets and of having the assets revalued at least every 5 years by an independent valuer. The last independent valuation of land, civil works and buildings was carried out as at 31 March 2016.
 	
Valuation of property, plant and equipment is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and due to the judgment involved in the assessment of the fair value of these assets by the Group's Directors. The judgment relates to the valuation methodology used and the assumptions used in each of those methodologies. The valuation methodology estimates the cost of building the airport in its current location to the specification required to provide its current services, and the business value of the existing vehicle assets.
 	
In 2017 Management have considered, and sought input from the independent valuers as to, any changes to the key assumptions used in the valuation methodologies and whether these changes indicate that the property, plant and equipment is not held at fair value.
 	
The assumptions that have the largest impact on the valuations are:
 	
• The market value of the airport land if there was no airport on the site and the land was to be converted to the existing use. This is primarily driven by developer's weighted average cost of capital and the holding period for conversion to airport use;
	Our procedures to assess the fair value of property, plant and equipment included, amongst others:
	
	• Reassessing the competence, independence and objectivity of each valuer used by the Group to determine changes in key assumptions used to value the airport assets;
	• In conjunction with our valuation specialists assessing the changes in key assumptions in the valuations which are judgemental in nature and which have the largest impact on the value of property, plant and equipment. This comprised assessing;
	  ▪ changes to the weighted average cost of capital against observable market data;
	  ▪ changes in the cost of buildings and civil assets; and
	  ▪ the future cash flows against approved budgets and historical financial performance.
	• Comparing the valuation methodologies used by the valuer for the Group, to the valuation methodologies used by other airports within New Zealand for comparability.

The key audit matter	How the matter was addressed in our audit
• The replacement cost of buildings including the main terminal building; • The replacement cost of civil assets including the runway, taxiways and roads; • The estimated future cash flows and expected rate of return from the vehicle assets.	
Valuation of investment property	

As disclosed in note B2 of the consolidated financial statements, the Group has investment properties of $69,795,000 (2016: $68,850,000). The Group is required under accounting standards to fair value investment property.
 	
Valuation of investment property is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and due to the judgement involved in the assessment of the fair value of these assets by the Group's Directors. These judgments include weighted average discount rate, weighted average income capitalisation rate and weighted average lease term.
	Our procedures to assess the fair value of investment property included amongst other:
	
	• Assessing the competence, independence and objectivity of the valuer used by the Group to determine the value of the investment property;
	• In conjunction with our valuation specialists assessing the changes in key assumptions in the valuations which are judgemental in nature and which have the largest impact on the value of investment property. This comprised;
	  ▪ Assessing changes to the weighted average discount rate against observable market data;
	  ▪ Assessing changes to the weighted average capitalisation rate against observable market data
	  ▪ Agreeing a sample of income streams generated by the investment property to underlying contracts;
	  ▪ Confirming the remaining tenure of leases used in the valuation; and,
	  ▪ Comparing lease yields to other comparable market transactions within the region.
	• Comparing the valuation methodology used by the Group, to the valuation methodology used for other investment property valuations within New Zealand and ensuring they are comparable;

Other Information

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

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

Responsibilities of the Directors for the consolidated financial statements

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

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is:

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

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

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

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

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our Independent Auditor's Report.

KPMG

Graeme Edwards for and on behalf of

KPMG Wellington

9 May 2017