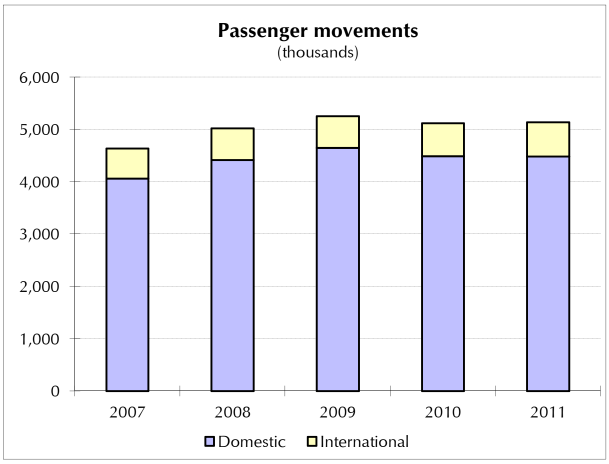
Wild at Heart
WellingtonAirport

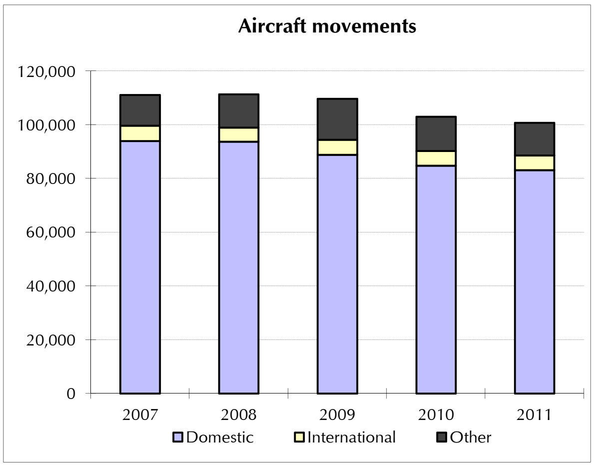
Annual Report

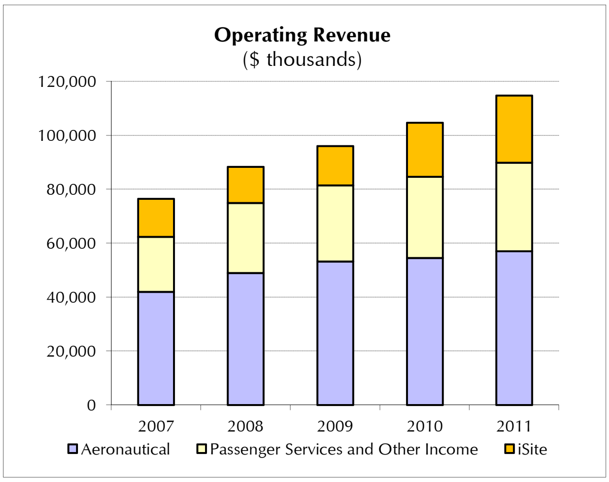
WELLINGTON INTERNATIONAL AIRPORT LIMITED (WIAL)

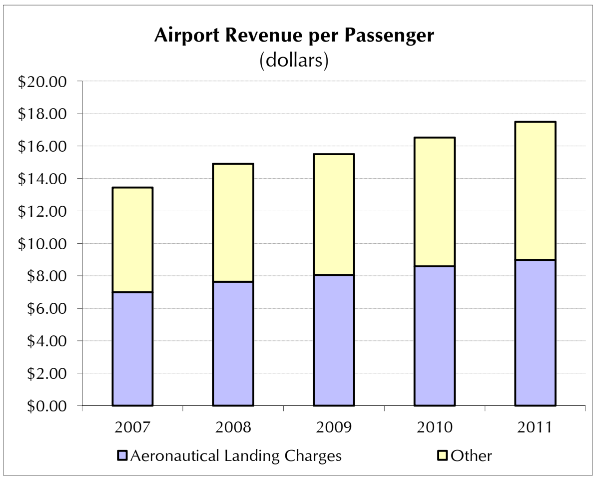
Consolidated Annual Report
For the Year Ended **31 March 2011**

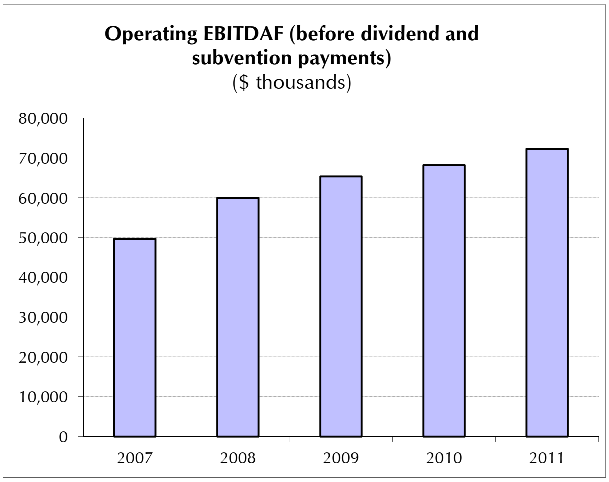
2007 to 2011: FIVE YEAR SUMMARY

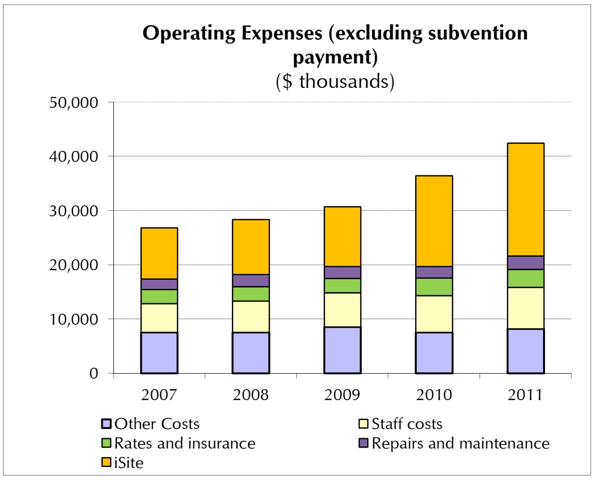


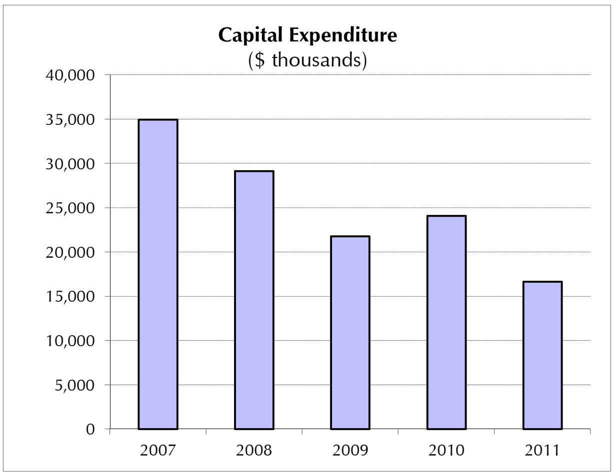


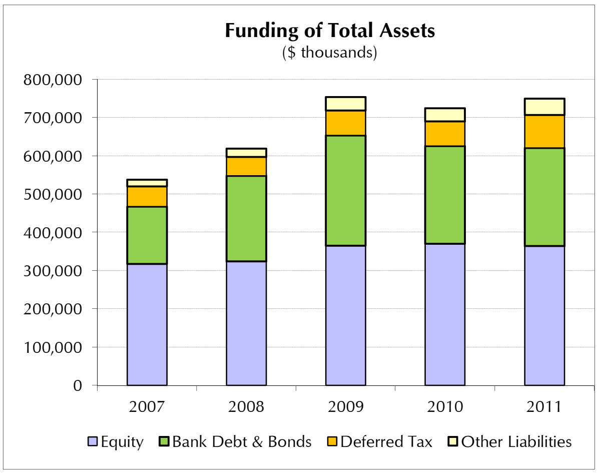












DIRECTORS' REPORT

The Directors have pleasure in presenting to shareholders their twenty-first consolidated annual report for Wellington International Airport Limited (WIAL) for the year ended 31 March 2011.

Directors

The Directors of WIAL during the year were:

- David Newman, Chairman
- Kevin Baker
- Timothy Brown
- Steven Fitzgerald
- Ian McKinnon (appointed 11 November 2010)
- Kerry Prendergast (resigned 11 November 2010)
- Keith Sutton

Company's Affairs and Nature of Business

WIAL provides airport facilities and services to various airlines and airport users. WIAL's wholly owned subsidiary, iSite Limited, operated throughout New Zealand providing out of home advertising products to the media industry.

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 and Dividends

Total revenue for the year was $114.7 million. The loss after taxation amounted to $18.9 million.

During the year ended 31 March 2011 a subvention payment of $27.2 million was paid to a subsidiary of Infratil Limited and a dividend of $8.3 million was paid to Wellington City Council.

Retained Earnings Reserve

The total decrease in equity for the year, being the total recognised revenues net of expenses less dividends paid was $5.7 million. The retained earnings reserve at 31 March 2011 totalled $117.2 million.

Revaluation Reserves

The revaluation reserve has been updated for Land and Property, Plant and Equipment assets. The increase in Land and Property, Plant and Equipment reserve of $17.4 million during the year represented adjustments arising from a revaluation of assets at 31 March 2011 and a movement in deferred taxation. The total revaluation reserve at 31 March 2011 was $241.5 million.

Liabilities

The liabilities of WIAL are not guaranteed by the shareholders.

Auditors

KPMG remained the Group's auditors during the year.

On behalf of the Board.

David Newman	**Keith Sutton**
Chairman	Director
17 May 2011	17 May 2011

CHAIRMAN AND CHIEF EXECUTIVE REPORT

Introduction

Wellington's Airport is the key gateway to New Zealand's capital city and central region. The Airport Company's role is to ensure that the gateway is efficient, safe, welcoming, and a good ambassador. Meeting those goals means focusing on the delivery of services and facilities every-day and having a well planned investment programme to ensure that standards are maintained and improved over time.

Behind the Airport's provision of safe, efficient and attractive facilities are its partners and the many people with an interest in its activities; airlines, neighbours, capital providers, over one hundred businesses that operate at the Airport, Airport Company staff, the almost 1,500 other people who work at the Airport and the over 6,000 people in directly related employment, regional businesses and everyone who relies on air transport.

While this report is weighted towards financial information, many factors not encapsulated by the numbers were crucial in making the year to 31 March 2011 successful. It was not an easy year. The backdrop was a weak economy and restricted consumer spending. The withdrawal of Pacific Blue from New Zealand domestic services in October 2010 was an added headwind as well as a disappointment given the efforts of the airline and its airport trading partners to make this a success.

The Commerce Commission released its determinations for the new information disclosure regime under Part 4 of the Commerce Act in December 2010. Despite the stated intention of it being a light-handed approach providing greater certainty, the process was an expensive source of uncertainty and distraction to the affected airports. Wellington Airport considers that the methodologies could be materially improved in a number of areas and has submitted a merits appeal on these matters.

In spite of these hurdles, the Airport did deliver good earnings growth, successful completion of the new terminal development *The Rock* and further progress on initiatives to improve services and facilities in the future. This year's good financial outcome reflected past investment, while future earnings growth will come from the current programme of enhancements including ongoing improvements to the terminal and development of the car parking facilities.

Positively, Air New Zealand, the main provider of air services to Wellington, continues to impress with its quality and efficiency. Wellington Airport is pleased to have been able to assist Air New Zealand with its ongoing services' innovation, especially with regard to the evolution of the airline's world leading check-in facilities. Air New Zealand's alliance with the Virgin Blue Group to expand both carrier's network connectivity has the potential to further simplify travel between Australia and New Zealand.

Wellington Airport is also seeing the expansion of Jetstar's domestic operations. Jetstar's growth strategy is testament to its belief in the market demand for low cost air travel. Jetstar is becoming a major Asian-Australasian carrier and the Airport is working with the airline to identify ways to enhance Wellington's wider transport links.

During the year credit-rating agency Standard & Poor's reaffirmed Wellington Airport's rating at BBB+/Stable/A-2 credit. The Airport rated well with its response to changes in the environment, its on-budget completion of the international terminal upgrade and its conservative debt liability profile.

People and Community

After 9 years on the Airport company board, Kerry Prendergast retired as a director. Kerry took up this role as a representative of Wellington City Council when she was elected Mayor in 2001. Kerry's efficiency and her totally professional and constructive contributions were respected by the Board. She was at all times commercially astute and supportive of the Airport's role in Wellington.

Over the year the Airport Company undertook a review of its organisational structure. This type of change process brings with it a degree of uncertainty for staff and the board has been grateful for the professionalism shown by all involved. The new structure will add focus to a number of key operational and commercial areas, with particular focus on leadership, flexibility and service delivery.

As any user of Wellington Airport or Wellingtonian knows, the Airport is close to the city and close to its neighbours. Peak air-travel times add congestion to the roads and all aircraft movements result in noise. The Airport participates in the regional land transport forum and works with its neighbours to ensure their environmental concerns are addressed. Further to this, the Airport actively engages with its neighbouring communities to ensure concerns are understood, mitigated or otherwise managed.

The Airport is also an active supporter of community groups, events, charities and other worthy causes. This year WIAL provided special assistance to a range of important social and community groups including:

- The Wild at Heart Spirit Award youth scholarships to students at five local secondary schools, recognising service to school and community.
- Sponsorship and other assistance provided to Life Flight Trust, Miramar Golf Club, Wellington Aero Club, Wellington Chamber of Commerce and local surf lifesaving clubs.
- Events and tourism projects are also a key part of our sponsorship portfolio, including: NZ International Arts Festival, World of Wearable Arts, Zealandia, Victoria University's entry to the U.S. Department of Energy Solar Decathlon 2011 (being the first entry accepted from the southern hemisphere).
- We supported high performance through sponsorship of The "Wellys" Wellingtonian of the Year Awards, The Gold Awards - Wellington Business awards and Wellington High Performance Aquatics, a joint project with Infratil.

People and Community (continued)

- The Wellington Airport Regional Community Awards are undertaken with The Wellington Community Trust, recognising the contribution of volunteers to groups in our community. The 2010 supreme winner was Naenae Youth Charitable Trust for Billy Graham Boxing Academy which helps the physical, social and educational development of about ninety 11 – 18 year old Lower Hutt boys.
- WIAL also supported staff initiated community fundraising events including Relay for Life for the Cancer Society, and the Firefighters Sky Tower Challenge for the Blood and Leukaemia Foundation.

Wellington Airport also did a number of things to assist after the devastating 22 February 2011 earthquake in Christchurch. In the very short term that meant facilitating, at no cost, the 'air bridge' relief for commercial and military flights to and from Christchurch and the provision of space and services to assist the facilitation of people leaving the city in the aftermath of the event. In addition, in March 2011, WIAL supported the "We're Giving Christchurch 100%" campaign with all proceeds from on-line car park bookings being donated to the New Zealand Red Cross to assist their Christchurch relief work. The donation made for this campaign was $195,400.

Capital Works and Plans

The Rock terminal development was completed and opened in October 2010 and is available for international and domestic services. The total cost of the upgrade to the terminal, north domestic pier, aerobridges and airfield was $65 million with *the Rock* making up $38 million of this. It is a great improvement on the previously congested and dated facility. Its design and facilities convey Wellington's style and character and it is receiving extremely positive feedback from travellers and airlines.

On the other side of the runway work commenced on the construction of a new aircraft hangar and maintenance base. The facility is expected to open toward the end of 2011 and will be large enough to cater for the largest scheduled aircraft regularly using the airport.

Planning is now underway on further expansion and improvement to the domestic terminal and the car park. Parking demand is now outstripping supply at peak times notwithstanding the Company's initiative around on-line car park bookings, the reallocation of reserved space, and the significant upgrade to the airport's public transport services.

Wellington Airport's 2030 plan released in 2009 sets out the 20 year development programme and indicated an average capital spend over the period of about $25 million a year, which is consistent with the Airport's record over the last decade. Provisional plans for the next five years indicate that capital spending over that period will be in line with this.

Aeronautical Activities

YE 31 March	2011	2010
Domestic Passengers	4,479,651	4,491,260
International Passengers	654,576	626,646
Aeronautical Income	$57.1 m	$54.5 m

Total passenger numbers were almost the same as for the prior year (up 16,321 or 0.3%) reflecting a balance between weak trunk traffic and strong growth on regional services and the links with Melbourne and Sydney.

A 4% fall in trunk passengers was in part due to the disruptions resulting from the two Christchurch earthquakes, but the main factor was the withdrawal of Pacific Blue from domestic services in October 2010.

The 7% to 8% increase of passengers on Melbourne and Sydney services was a strong result. A material proportion of the capital's traffic with Australia is still connecting via Christchurch and Auckland and securing this business by improving frequency of available services will underpin Wellington's future international passenger growth. Consumers are not flying via these other airports by preference but because of the current constrained capacity and the timing and pricing of trans-Tasman air services, which Wellington Airport is working to address.

The strong 8% increase on regional services was largely a bounce back after the fall in demand for these services during the worst of the economic recession, and in response to changes in the yield model of Air New Zealand.

The 5% increase in aeronautical income achieved in the year to 31 March 2011 was due to the increase in international passengers, and an increase in charges (about 2.9%) which was determined in the 2007 to 2012 airline charges consultation round.

In March 2011, consultation started between Wellington Airport and its major airline customers over aeronautical charges that will apply from 1 April 2012. Wellington Airport is required under the Airport Authorities Act to consult with its substantial customers prior to changing prices for certain services. The Airport commenced the process over 12 months prior to the expiry of existing prices in order to ensure that the consultation process will be thorough and effective. The consultation process will be run in an open and transparent manner with information available to all interested parties.

Consultation documents will be published on Wellington Airport's website throughout the process to enable those interested to see the details of the Airport's expected costs, investment programme, forecasts and proposed pricing structures.

CHAIRMAN AND CHIEF EXECUTIVE REPORT (continued)

Passenger Services

YE 31 March	2011	2010
Passenger Service Income	$28.9 m	$25.7 m
Per Passenger	$5.63	$5.02

The continuing growth in passenger service income reflects the Airport's focus on the people using it and the efforts made to ensure that their time at the Airport meets their needs. Some people wish to move between aircraft and city as fast as possible, others wish to pause for a coffee or shop in the retail area. The objective is for the Airport's retailing to reflect the best of Wellington for visitors who do have the time to browse whilst providing a comprehensive offering to meet all tastes and budgets.

The opening of the Corporate Box Lounge and the provision of on-line booking for car parking were two initiatives which reflected the changing profile of airport users (who may not have airline club membership but still want to use a lounge) and the need to optimise the use of facilities (car park use fluctuates markedly over the course of the week and using the web to offer cheaper prices at off-peak times can provide value for money to the traveller whilst smoothing out occupancy levels).

Commercial Property And Other Non-Aero Activities

YE 31 March ($ millions)	2011	2010
Property and Other Income	$7.9	$7.6
Investment Property Revaluations	$0.2	($0.7)

ISite's increased contribution lifted total non-aeronautical income. Rental income from the Airport's property portfolio remained flat.

Work is progressing on a number of projects to enhance the value of the approximately 15 hectares of the Airport's Rongotai site not designated "aeronautical".

Independent valuers have advised that the Airport's investment property values increased slightly over the year to $48.9 million even after allowing for the use of a market capitalisation rate of 9.0% which was up slightly from the average rate of 8.8% used the year prior.

Economic Regulation

The Commerce Commission continued its review of the information New Zealand's major airports must annually disclose about their aeronautical assets and activities. Because this could be a precursor to heavy handed regulation Wellington Airport has engaged comprehensively in the process at a cost thus far of over $2 million.

The Commission's final determination is the subject of a High Court appeal by several of the interested parties which will result in further delay and cost.

Financial Results

YE 31 March ($ millions)	2011	2010
Aeronautical Income	$57.1	$54.5
Passenger Service Income	$28.9	$25.7
Property and Other Income [1]	$7.9	$7.6
Operating Costs	($21.6)	($19.6)
Earnings EBITDAF	$72.3	$68.2
Net Interest	($17.3)	($16.9)
Depreciation & Amortisation	($15.7)	($15.8)
Capital Expenditure	$16.6	$24.1
Dividends and Subvention Payments	$35.6	$30.7
Total Assets	$749.9	$724.7
Bonds and Net Bank Debt	$222.2	$224.7

1. Property and Other Income includes the EBITDAF contribution from the Airport's subsidiary iSite.
Consequently the Operating Costs shown in the table are only those incurred by the Airport.

The 10% increase in the Airport's operating costs reflected slightly higher levels of activities and input prices.

Net earnings before tax and revaluations were $39.3 million up 11% from the previous year's $35.6 million and payments to shareholders were up 16%.

Financial Results (continued)

At each balance date it is necessary to assess the fair value of the Group's financial instruments. The Group uses interest rate swaps to manage its interest rate risk and their fair value is derived by marking them to current market value. For 2011, the fair value of the interest rate swaps has given rise to an adverse adjustment of $6.4 million (2010: $1.7 million favourable).

Changes to taxation legislation following the Government's 2010 budget have resulted in a one-off negative impact on taxation expense in the year of $21.0 million as a consequence of re-calculating the deferred taxation liability. The removal of the tax deduction for depreciation on buildings with a life equal to or greater than 50 years produced an adverse non cash adjustment of $24.3 million. This was offset in part by the favourable impact of the reduction in the corporate income tax rate from 30% to 28% amounting to $3.3 million.

Total assets have increased year on year by 3.5%, mainly due to revaluation of property, plant and equipment ($20.3 million increase) and investment properties ($0.2 million increase).

Over both years the Airport's net debt comprised $250 million of bond funding and a level of cash deposits. While bank lines have only been utilised to a small extent over the last two years, these are held for working capital and liquidity management purposes. The Airport's bank facilities were recently renewed and extended in April 2011.

Outlook

The market over the period was tougher than anticipated a year ago, but current forecasts are for better conditions going forward. A gradual economic recovery and the Rugby World Cup 2011 are expected to underpin demand and airline service and capacity indications should mean that supply also rises.

Longer term the aviation market served by Wellington Airport is well placed to grow at least at its trend rates. The New Zealand domestic market continues its gradual integration with the wider Australasian market. The larger market will be more competitive and innovative than New Zealand's could be on a stand-alone basis.

The launch of the Boeing 787 and the increasing prevalence of efficient new aircraft will expand Wellington Airport's horizons to include the potential for direct connectivity with Asia which Wellington does not presently enjoy. Aircraft like the 787, variants of the 777 and also Airbus A350s are capable of flying directly between Wellington and Asian hub airports such as Singapore and Hong Kong. These aircraft are also of a size to make them compatible with Wellington Airport's facilities and the scale of the Wellington region market.

The Airport's priorities remain providing quality facilities and efficient services that meet or exceed customer expectations, building on its uniquely Wellington environment.

On behalf of the Board and management.

David Newman
Chairman
17 May 2011

Steven Fitzgerald
Chief Executive
17 May 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Consolidated		Parent	
		2011	2010	**2011**	2010
		$000	$000	**$000**	$000
Landing and terminal charges		46,207	43,977	46,207	43,977
International departure fees		6,746	6,453	6,746	6,453
Property rent and lease income		10,063	10,147	10,063	10,147
Retail and trading activities		51,733	44,069	28,895	25,669
Total revenue		**114,749**	**104,646**	**91,911**	**86,246**
Operating expenses	4	(32,522)	(28,139)	(13,917)	(12,884)
Subvention payment	19	(27,245)	(23,675)	(27,245)	(23,675)
Employee remuneration and benefits		(9,941)	(8,299)	(7,689)	(6,770)
Total operating expenditure		**(69,708)**	**(60,113)**	**(48,851)**	**(43,329)**
Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF)		**45,041**	**44,533**	**43,060**	**42,917**
Investment property revaluation increase/(decrease)	12	207	(740)	207	(740)
Property, plant and equipment revaluation (decrease)		(213)	-	(213)	-
Depreciation	11	(14,715)	(14,747)	(14,403)	(14,372)
(Loss)/gain on sale of fixed assets		(157)	20	2	12
Amortisation of intangibles	10	(782)	(1,040)	-	-
Impairment loss of intangibles	10	(90)	-	-	-
Operating earnings before interest and financing expense		**29,291**	**28,026**	**28,653**	**27,817**
Interest income		652	774	652	774
Interest expense		(17,996)	(17,629)	(17,577)	(17,318)
Amortisation of fair value of ineffective hedges transferred from equity		(6,149)	(6,140)	(6,149)	(6,140)
(Decrease)/increase in value of financial instruments designated as fair value through profit or loss		(6,372)	1,682	(6,372)	1,682
Net financing expense		**(29,865)**	**(21,313)**	**(29,446)**	**(21,002)**
Net (loss)/surplus before taxation		**(574)**	**6,713**	**(793)**	**6,815**
Taxation income		2,705	568	2,721	491
Taxation income reduction in tax rate from 30% to 28%		3,279	-	3,308	-
Taxation expense removal of tax depreciation on buildings		(24,339)	-	(24,339)	-
Total taxation (expense)/income	8	**(18,355)**	**568**	**(18,310)**	**491**
Net (loss)/surplus		**(18,929)**	**7,281**	**(19,103)**	**7,306**
Other comprehensive income					
Revaluation of land		81	-	81	-
Revaluation of property, plant and equipment		20,427	-	20,427	-
Amortisation of fair value of ineffective hedges transferred to profit or loss		6,149	6,140	6,149	6,140
Income tax relating to components of other comprehensive income	8	(5,102)	(1,842)	(5,102)	(1,842)
Other comprehensive income, net of tax		**21,555**	**4,298**	**21,555**	**4,298**
Total comprehensive income		**2,626**	**11,579**	**2,452**	**11,604**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

Consolidated	Notes	Capital $000	Revaluation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Group				
Balance as at 1 April 2010		9,060	224,126	(7,809)	144,474	369,851
Total comprehensive income						
Net loss		-	-	-	(18,929)	(18,929)
Other comprehensive income						
Revaluation of land net of taxation		-	81	-	-	81
Revaluation of property, plant and equipment, net of taxation		-	14,299	-	-	14,299
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation		-	-	4,304	-	4,304
Reduction in tax rate from 30% to 28%		-	2,971	(100)	-	2,871
Total other comprehensive income		**-**	**17,351**	**4,204**	**-**	**21,555**
Total comprehensive income		**-**	**17,351**	**4,204**	**(18,929)**	**2,626**
Executive share scheme		23	-	-	-	23
Contributions by and distributions to owners						
Dividends to equity holders		-	-	-	(8,341)	(8,341)
Total contributions by and distributions to owners		**23**	**-**	**-**	**(8,341)**	**(8,318)**
Balance at 31 March 2011	9	**9,083**	**241,477**	**(3,605)**	**117,204**	**364,159**

Consolidated	Notes	Capital $000	Revaluation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Group				
Balance as at 1 April 2009		9,050	224,126	(12,107)	144,261	365,330
Total comprehensive income						
Net surplus		-	-	-	7,281	7,281
Other comprehensive income						
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation		-	-	4,298	-	4,298
Total other comprehensive income		**-**	**-**	**4,298**	**-**	**4,298**
Total comprehensive income		**-**	**-**	**4,298**	**7,281**	**11,579**
Executive share scheme		10	-	-	-	10
Contributions by and distributions to owners						
Dividends to equity holders		-	-	-	(7,068)	(7,068)
Total contributions by and distributions to owners		**10**	**-**	**-**	**(7,068)**	**(7,058)**
Balance at 31 March 2010	9	**9,060**	**224,126**	**(7,809)**	**144,474**	**369,851**

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

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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

Parent	Notes	Capital $000	Revaluation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
		Attributable to Equity Holders of the Company				
Balance as at 1 April 2009		9,050	224,126	(12,107)	149,550	370,619
Total comprehensive income						
Net surplus		-	-	-	7,306	7,306
Other comprehensive income						
Amortisation of fair value of ineffective hedges transferred to profit or loss, net of taxation		-	-	4,298	-	4,298
Total other comprehensive income		**-**	**-**	**4,298**	**-**	**4,298**
Total comprehensive income		**-**	**-**	**4,298**	**7,306**	**11,604**
Executive share scheme		7	-	-	-	7
Contributions by and distributions to owners						
Dividends to equity holders		-	-	-	(7,068)	(7,068)
Total contributions by and distributions to owners		**7**	**-**	**-**	**(7,068)**	**(7,061)**
Balance at 31 March 2010	9	**9,057**	**224,126**	**(7,809)**	**149,788**	**375,162**

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

		Consolidated		Parent	
	Notes	**2011**	2010	**2011**	2010
		$000	$000	**$000**	$000
Cash	7	34,273	31,361	32,338	30,509
Trade receivable	14	10,950	10,099	7,392	7,650
Intercompany receivable	14,19	-	-	1,565	143
Prepayments and sundry receivables		1,322	1,292	1,036	1,089
Current assets		**46,545**	**42,752**	**42,331**	**39,391**
Property, plant and equipment	11	643,975	621,934	643,119	620,879
Investment properties	12	48,921	48,704	48,921	48,704
Goodwill	10	7,379	7,379	-	-
Intangible assets	10	3,116	3,960	-	-
Investment in subsidiary	13	-	-	10,096	10,096
Intercompany loan	19	-	-	-	692
Non current assets		**703,391**	**681,977**	**702,136**	**680,371**
Total assets		**749,936**	**724,729**	**744,467**	**719,762**
Bank debt	5	8,174	-	-	-
Accounts payable		3,855	3,648	1,400	1,458
Taxation payable		12,709	11,153	12,408	10,867
Accruals and other liabilities		11,085	10,935	11,170	11,011
Accrued employee benefits	15	1,333	1,045	1,175	910
Current liabilities		**37,156**	**26,781**	**26,153**	**24,246**
Bank debt	5	-	8,174	-	-
Long term bonds	6	248,299	247,872	248,299	247,872
Deferred taxation liability	8	86,095	64,195	86,497	64,626
Fair value of derivatives	14	14,227	7,856	14,227	7,856
Non current liabilities		**348,621**	**328,097**	**349,023**	**320,354**
Attributable to shareholders of the Company		364,159	369,851	369,291	375,162
Total equity		**364,159**	**369,851**	**369,291**	**375,162**
Total equity and liabilities		**749,936**	**724,729**	**744,467**	**719,762**

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

On behalf of the Board.

David Newman
Chairman
17 May 2011

Keith Sutton
Director
17 May 2011

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Consolidated		Parent	
		2011	2010	**2011**	2010
		$000	$000	**$000**	$000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		114,046	104,088	90,895	87,039
Interest received		652	774	652	774
		114,698	**104,862**	**91,547**	**87,813**
Cash was disbursed to:					
Payments to suppliers and employees		(41,529)	(37,456)	(20,870)	(21,863)
Subvention payment	19	(27,245)	(23,675)	(27,245)	(23,675)
Interest paid		(19,051)	(18,601)	(18,632)	(18,290)
		(87,825)	**(79,731)**	**(66,747)**	**(63,828)**
Net cash flows from operating activities	17	**26,873**	**25,130**	**24,800**	**23,985**
Cash flows from investing activities					
Cash was provided from:					
Inter company loan		-	-	692	850
Proceeds from sale of property, plant and equipment		2	20	2	12
		2	**20**	**694**	**862**
Cash was disbursed to:					
Purchase of property, plant, equipment and intangible assets		(15,622)	(22,091)	(15,324)	(21,924)
Net cash flows from investing activities		**(15,620)**	**(22,071)**	**(14,630)**	**(21,062)**
Cash flows from financing activities					
Cash was disbursed to:					
Repay bank debt		-	(30,100)	-	(30,000)
Dividends paid	19	(8,341)	(7,068)	(8,341)	(7,068)
		(8,341)	**(37,168)**	**(8,341)**	**(37,068)**
Net cash flows from financing activities		**(8,341)**	**(37,168)**	**(8,341)**	**(37,068)**
Net increase/(decrease) in cash held		2,912	(34,109)	1,829	(34,145)
Cash balance at the beginning of the year		31,361	65,470	30,509	64,654
Cash balance at the end of the year		**34,273**	**31,361**	**32,338**	**30,509**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

(1) Accounting policies

(a) Reporting entity
Wellington International Airport Limited (“WIAL” and the "Company”) is a profit orientated company domiciled in New Zealand and registered under the Companies Act 1993. It was established under the Wellington Airport Act 1990 and was incorporated in September 1990. The commencing assets of WIAL were vested in the Company on 16 October 1990 by an Order in Council. The Company commenced trading on 16 October 1990. Its registered office is located at Wellington Airport Terminal, Stewart Duff Drive, Wellington, New Zealand. The Company has bonds listed on the NZDX and is an issuer in the terms of the Financial Reporting Act 1993 and Securities Act 1978.

The financial statements of the Company are for the year ended 31 March 2011. The financial statements were approved by the Board of Directors on 17 May 2011.

(b) Basis of preparation

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

The financial statements for WIAL and its consolidated financial statements are presented. The consolidated financial statements comprise the Company and its wholly owned subsidiary iSite Limited (the “Group”) as at and for the year ended 31 March 2011.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”). They comply with New Zealand equivalents to International Financial Reporting Standards (”NZIFRS”) and other applicable financial reporting standards as appropriate for profit-oriented entities.

The financial statements comprise statements of the following: comprehensive income; changes in equity; financial position; cash flows; and the notes to those statements.

The financial statements are prepared on the basis of historical cost, except that property, plant and equipment are revalued in accordance with accounting policy (d), investment properties in accordance with accounting policy (e) and financial derivatives in accordance with accounting policy (j).

These 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).

(ii) Significant accounting estimates and judgments
The preparation of financial statements conform with NZIFRS which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing these financial statements are set out below:

Valuation of property, plant and equipment
The basis of valuation for the Group’s property, plant and equipment is fair value by independent valuers, or cost. The basis of the valuations include assessment of the net present value of the future earnings of the assets, the optimised depreciated replacement cost, and other market based information, in accordance with asset valuation standards. The major inputs and assumptions that are used in the valuations that require judgement include forecasts of future revenues, sales volumes, capital investment and expenditure profiles, capacity, replacement values and life assumptions for each asset, and the application of discount rates. In respect to assets held at cost, judgements must be made about whether costs incurred relate to bringing an asset to it's working condition for it's intended use, and therefore are appropriate for capitalisation as part of the cost of the asset. The determination of the appropriate life for a particular asset requires management to make judgements about, among other factors, the expected future economic benefits of the asset and the likelihood of obsolescence. Revaluations are carried out by independent valuers with sufficient regularity, at least once every five years, to ensure that the carrying value does not differ from the fair value at balance date. The carrying value of property, plant and equipment and the valuation methodologies used in the latest revaluation undertaken at 31 March 2011 are disclosed in note 11.

Valuation of investment properties
The Group revalues its investment properties to fair value each year. The fair value of investment properties is estimated by an independent valuer which reflects market conditions at balance date. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of the investment properties. The carrying value of the investment properties and the valuation methodology applied are disclosed in note 12.

Goodwill
The carrying value of goodwill is subject to an annual impairment test to ensure that the carrying value does not exceed the recoverable amount at balance date. For the purpose of impairment testing, goodwill is allocated to the individual cash generating units to which it relates. Any impairment losses are recognised in the statement of comprehensive income. In determining the recoverable amount of goodwill, a valuation model to calculate the present value of expected future cash flows of the cash-generating unit is used. The carrying value of goodwill and the valuation methodology applied are disclosed in note 10.

(b) Basis of preparation (continued)

Derivatives

Derivatives are classified as financial assets or financial liabilities at fair value through the statement of comprehensive income. The key assumptions and risk factors for derivatives relate to their valuation. Accounting judgements have been made in determining hedge designation for the different types of derivatives employed by the Group to hedge risk exposures. Derivative valuations are based on market information and prices. The carrying value of derivatives and the valuation methodology applied are disclosed in note 14.

(c) Basis of preparing consolidated financial statements

(i) Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

(ii) Acquisition during the year

Where an entity becomes part of the Group during the year, the results of the entity are included in the consolidated results from the date the control commenced.

(iii) Goodwill arising on acquisition

Goodwill arising on the acquisition of a subsidiary represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. In respect of acquisitions prior to 1 April 2006 (the entity's date of transition to NZIFRS), goodwill is included on the basis of the amount recorded under New Zealand's previous GAAP on transition.

(iv) Transactions eliminated on consolidation

The effects of intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Property, plant and equipment

Property, plant and equipment are recorded at cost (or fair value on acquisition) less accumulated depreciation and impairment losses, or at fair value with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. Property, plant and equipment that are revalued, are revalued to their fair value determined by an independent valuation, in accordance with NZIAS 16: Property, Plant and Equipment. Where the assets are of a specialised nature and do not have observable market values in their existing use, optimised depreciated replacement cost is used as the basis of the valuation, as required by NZIAS 16. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

Land, buildings and civil works assets are measured at fair value. Fair value is determined on the basis of periodic independent valuation prepared by valuation experts. The fair values are recognised in the financial statements, and are reviewed at the end of each reporting period to ensure that the carrying values are not materially different from their fair values.

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

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

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

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

Individual assets' remaining useful lives and residual values are assessed at least annually and depreciation is calculated on a basis consistent with those parameters.

(e) Investment properties
The Directors of the Company have determined that the primary purpose of certain identified properties is obtaining the benefit of rental income and accordingly that these properties should be treated as investment properties. Investment property is measured at fair value with any change therein recognised in profit or loss.

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

(f) Capital work in progress
The cost associated with the building of an item of property, plant and equipment or investment property is treated as capital work in progress. These costs are transferred to the relevant item of property, plant and equipment or investment property class when the asset begins to be used.

(g) Receivables
Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due.

(h) Leases
Operating lease rentals are charged to profit or loss on a straight line basis over the period of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

(i) Taxation
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend. Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

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

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

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

Hedge accounting
The Group designates certain hedging instruments, which include derivatives, as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(j) Derivative financial instruments (continued)

Cash flow hedge

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

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

(k) Impairment of assets

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

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

Reversals of impairment

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

(l) Principles of consolidation

The consolidated financial statements are prepared by consolidating the Company and its subsidiary as defined in NZIAS 27: Consolidated and Separate Financial Statements.

Details of the Company's investment in its subsidiary appear in note 13. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after re-measurement, the fair values of the identifiable net assets acquired are lower than the costs of acquisition, the deficiency is recognised in profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(m) Employee benefits

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

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

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

(n) Borrowing costs

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

(o) Borrowings

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

(p) Revenue recognition

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

Airport related revenues

Airport revenue is recognised as services are provided to the airlines and passengers.

Rental revenue

Rental revenue is recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of rental revenue and are amortised over the expected remaining life of the lease.

Retail and trading activities

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

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

(q) Cash

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

(r) Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(s) Share capital

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

(t) Intangible assets

Leasehold intangible assets acquired by the Company are stated at the lower of cost or fair value, less accumulated amortisation and any impairment losses. Fair value is calculated with reference to the future estimated present values of cash flows arising from those leases.

Amortisation is charged to profit or loss over the period relating to the remaining lease tenures in proportion to the expiry profile of the leases, of between 1 and 20 years. Impairment testing is required whenever there is an indication of impairment.

(u) Financial guarantees

Where the Company or a Group entity enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are treated as insurance arrangements, and accounted for as such. In this respect, the guarantee is treated as a contingent liability until such time as it becomes probable that the Group entity will be required to make a payment under the guarantee.

(v) Segmental reporting

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

(w) New standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2010, but are either not currently relevant or do not result in material accounting or disclosure changes for the Group:

- NZ IFRS 1 (amendments), Additional exemptions for first-time adopters.
- NZ IFRS 2 (amendment), Share based payment - group cash settled shared-based payment transactions.
- NZ IFRS 3 (revised), Business combinations: scope exemption.
- IFRIC 18, Transfers of assets from customers.
- IFRIC 19, Extinguishing financial liabilities with equity instruments.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- NZ IFRS 7 Disclosures - transfers of financial assets effective for annual periods beginning on or after 1 July 2011. This is not currently applicable to the Company. The Group has yet to fully consider the impact of the new standard.
- NZ IFRS 9 Financial instruments effective for annual periods beginning on or after 1 January 2013. This is not currently applicable to the Company. The Group has yet to fully consider the impact of the new standard.
- NZ IAS 12 (amendment), Income Tax - Deferred Tax: Recovery of Underlying Assets effective for annual periods beginning on or after 1 January 2012. This has not been early adopted by the Group.
- NZ IAS 24 Related party disclosures (revised 2009) effective for annual periods beginning on or after 1 January 2011. This is not currently applicable to the Company. The Group has yet to fully consider the impact of the new standard.
- NZ IAS 26 Accounting and reporting by retirement benefit plans effective for annual periods beginning on or after 1 April 2011. This is not currently applicable to the Company. The Group has yet to fully consider the impact of the new standard.
- NZ IFRIC 14 Repayments of a minimum funding requirement (revised 2009) effective for annual periods beginning on or after 1 January 2011. This is not currently applicable to the Company. This is not considered material to the Group.

(x) Changes in accounting policies

There have been no changes in accounting policies during the year other than the adoption of the new standards and amendments to standards which are mandatory for the first time for the financial year beginning 1 April 2010 as noted in accounting policy (w).

(y) Re-classification of comparative balance sheet items relating to bonds

In accordance with NZ IAS39, the transaction costs directly attributable to the retail and wholesale bond issues have been offset against the financial liability. This has resulted in the re-classification of the comparative year transaction costs still to be expensed from prepayments and sundry receivables to long term bonds.

(2) Nature of business

The Company operates in Wellington providing integrated airport facilities and services to various airlines and other airport users. A commercial retail park on the airport site is available to the public. The Company is a limited liability company incorporated and domiciled in New Zealand.

The Company's wholly owned subsidiary, iSite Limited, operates in New Zealand providing out of home advertising products to the media industry. Out of home products predominantly comprise of billboards, light boxes and mobile advertising mediums.

(3) Discontinued operations

There were no discontinued operations in either the current or the comparative years.

(4) Operating expenses

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Fees paid to Group Auditors:				
Audit fees	112	92	93	78
Taxation	60	118	51	113
Donations	242	-	242	-
Directors' fees	238	230	238	230
Regulatory compliance and statutory consultation	622	1,095	622	1,095
Marketing and development	1,106	839	905	693
Cleaning and energy	1,965	1,831	1,743	1,663
Repairs and maintenance	2,470	2,108	2,470	2,108
Rates and insurance	3,326	3,298	3,288	3,260
Advertising agency commissions and installation costs	7,337	5,678	-	-
Operating lease expenses	10,386	9,053	808	802
Administration and other expenses	4,658	3,797	3,457	2,842
Total operating expenses	**32,522**	**28,139**	**13,917**	**12,884**

During the year, the Company made donations in support of the Christchurch earthquakes.

(5) Bank interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's bank interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 14: Financial instruments.

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Current liabilities				
Bank credit facility	8,174	-	-	-
Non-current liabilities				
Bank credit facility	-	8,174	-	-
Facilities utilised at reporting date				
Unsecured bank credit facilities	8,174	8,174	-	-
Facilities not utilised at reporting date				
Unsecured bank credit facilities	77,000	77,000	77,000	77,000

Financing arrangements
The Group's debt includes bank facilities with negative pledge arrangements, which with limited exceptions do not permit the borrower to grant any security over its assets. The bank facilities require the borrower to maintain certain levels of shareholder funds and operate within defined performance and gearing ratios. The banking arrangements also include restrictions over the sale or disposal of certain assets. Throughout the year the Group has complied with all debt covenant requirements as imposed by lenders.

Financing arrangements - standby facilities
At year end, the Group had unsecured bank debt facilities of $85.2 million (2010: $85.2 million) which are able to be drawn-down as required and expire in June 2011. Interest rates were determined by reference to prevailing money market rates at the time of draw down plus a margin. Interest rates paid during the period ranged from 3.95% to 4.45% (2010: 2.80% to 3.95%).
In April 2011, the Group renewed all its bank debt facilities and now has secured bank debt facilities of $99.0m, of which $69.0m expires in June 2014 and $30.0m expires in June 2016.

(6) Long term bonds

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Retail bonds maturing in November 2013, fixed 7.50% p.a.	100,000	100,000	100,000	100,000
Less transaction costs from issue still to be expensed	(848)	(1,164)	(848)	(1,164)
Total retail bonds	**99,152**	**98,836**	**99,152**	**98,836**
Wholesale bonds maturing August 2017, 3.43% per annum to 2 May 2011, then repriced quarterly at BKBM plus 25bp	150,000	150,000	150,000	150,000
Less transaction costs from issue still to be expensed	(853)	(964)	(853)	(964)
Total wholesale bonds	**149,147**	**149,036**	**149,147**	**149,036**
Balance at the end of the year	**248,299**	**247,872**	**248,299**	**247,872**

At 31 March 2011, the bonds had a fair value of $253.3 million (2010: $252.4 million)

The Trust Deeds for the bonds require the Group to operate within defined performance and debt gearing ratios. The arrangements under the Trust Deeds may also create restrictions over the sale or disposal of certain assets. Throughout the period the Group has complied with all debt covenant requirements as imposed by the bond trustees.

(7) Cash

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Bank balances	2,459	2,091	538	1,239
Call and short term deposits	31,814	29,270	31,800	29,270
Total cash	**34,273**	**31,361**	**32,338**	**30,509**

(8) Taxation

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Net (loss)/ surplus before taxation	(574)	6,713	(793)	6,815
Taxation for the year at 30% (2010: 30%)	(172)	2,014	(238)	2,045
Subvention payment made in respect to prior period	8,174	7,103	8,174	7,103
Plus/(less) taxation effect on non deductible expenses	(42)	8	8	-
Reduction in tax rate from 30% to 28%	(3,279)	-	(3,308)	-
Deferred tax adjustments for building depreciation rate change	24,339	-	24,339	-
Loss offset	(2,629)	(2,853)	(2,629)	(2,631)
Over provision in prior years	(8,036)	(6,840)	(8,036)	(7,008)
Taxation expense/(income)	**18,355**	**(568)**	**18,310**	**(491)**
Current taxation	1,557	1,662	1,541	1,573
Deferred taxation	16,798	(2,230)	16,769	(2,064)
Taxation expense/(income)	**18,355**	**(568)**	**18,310**	**(491)**

In May 2010, the Government announced changes to the tax legislation to remove the ability to depreciate buildings for tax deductions when the life of the building is equal to or greater than 50 years. The Government also announced a decrease in the corporate income tax rate from 30% to 28% effective for tax years beginning on or after 1 April 2011. The impact of these tax changes is:

a) Building depreciation

The Group will no longer be able to claim tax depreciation on buildings with lives equal to or greater than 50 years from its income tax years beginning 1 April 2011. The impact of this change is to reduce the tax base for these assets, giving rise to an increased difference between the carrying cost and tax base for these assets and a resultant increase in deferred tax liability and charge to tax expense of $24.3 million.

(8) Taxation (continued)

b) Tax rate change

Deferred tax is required to be recorded at the tax rate that will apply when the future tax rate liability or asset is expected to be realised. The impact of the decrease in corporate income tax rate is a credit to tax expense of $3.3 million and a credit to reserves of $2.9 million.

Income tax recognised in other comprehensive income

Consolidated	2011 Before tax $000	2011 Tax (expense)/ benefit $000	2011 Net of tax $000	2010 Before tax $000	2010 Tax (expense)/ benefit $000	2010 Net of tax $000
Amortisation of fair value of ineffective hedges transferred to profit or loss	6,149	(1,845)	4,304	6,140	(1,842)	4,298
Reduction in tax rate from 30% to 28%	-	2,871	2,871	-	-	-
Net change in fair value of property, plant and equipment recognised in equity	20,427	(6,128)	14,299	-	-	-
Balance at the end of the year	**26,576**	**(5,102)**	**21,474**	**6,140**	**(1,842)**	**4,298**

Parent	2011 Before tax $000	2011 Tax (expense)/ benefit $000	2011 Net of tax $000	2010 Before tax $000	2010 Tax (expense)/ benefit $000	2010 Net of tax $000
Amortisation of fair value of ineffective hedges transferred to profit or loss	6,149	(1,845)	4,304	6,140	(1,842)	4,298
Reduction in tax rate from 30% to 28%	-	2,871	2,871	-	-	-
Net change in fair value of property, plant and equipment recognised in equity	20,427	(6,128)	14,299	-	-	-
Balance at the end of the year	**26,576**	**(5,102)**	**21,474**	**6,140**	**(1,842)**	**4,298**

Deferred Tax

	Consolidated 2011 $000	Consolidated 2010 $000	Parent 2011 $000	Parent 2010 $000
Balance at the beginning of the year	64,195	64,583	64,626	64,848
Credit for the year	(4,262)	(2,230)	(4,262)	(2,064)
Effect of change in tax rate from 30% to 28% on deferred tax - tax expense	(3,279)	-	(3,308)	-
Deferred tax adjustment for buildings	24,339	-	24,339	-
Deferred tax recognised in equity	7,973	1,842	7,973	1,842
Effect of change in tax rate from 30% to 28% on deferred tax - equity	(2,871)	-	(2,871)	-
Balance at the end of the year	**86,095**	**64,195**	**86,497**	**64,626**

Recognised deferred tax assets and liabilities

Consolidated	2011 Assets $000	2011 Liabilities $000	2011 Net $000	2010 Assets $000	2010 Liabilities $000	2010 Net $000
Property, plant and equipment	-	(87,080)	(87,080)	-	(67,142)	(67,142)
Investment properties	-	(4,503)	(4,503)	-	(583)	(583)
Derivatives	4,906	-	4,906	2,995	-	2,995
Employee benefits accrued	241	-	241	198	-	198
Financial assets at fair value through profit or loss	-	(61)	(61)	-	(94)	(94)
Other items	402	-	402	431	-	431
Net tax assets/(liabilities)	**5,549**	**(91,644)**	**(86,095)**	**3,624**	**(67,819)**	**(64,195)**

(8) Taxation (continued)

Parent	2011 Assets $000	2011 Liabilities $000	2011 Net $000	2010 Assets $000	2010 Liabilities $000	2010 Net $000
Property, plant and equipment	-	(87,080)	(87,080)	-	(67,142)	(67,142)
Investment properties	-	(4,503)	(4,503)	-	(583)	(583)
Derivatives	4,906	-	4,906	2,995	-	2,995
Employee benefits accrued	241	-	241	198	-	198
Financial assets at fair value through profit or loss	-	(61)	(61)	-	(94)	(94)
Net tax assets/(liabilities)	**5,147**	**(91,644)**	**(86,497)**	**3,193**	**(67,819)**	**(64,626)**

Movement in temporary differences during the year

Consolidated	Balance 1/4/09 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/10 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/11 $000
Assets:							
Property, plant and equipment	(67,390)	248	-	(67,142)	(16,781)	(3,157)	(87,080)
Investment properties	(302)	(281)	-	(583)	(3,920)	-	(4,503)
Financial assets at fair value through profit or loss	(134)	40	-	(94)	33	-	(61)
Liabilities:					-	-	
Employee benefits accrued	114	84	-	198	43	-	241
Derivatives	2,864	1,973	(1,842)	2,995	3,856	(1,945)	4,906
Other items	265	166	-	431	(29)	-	402
	(64,583)	**2,230**	**(1,842)**	**(64,195)**	**(16,798)**	**(5,102)**	**(86,095)**

Parent	Balance 1/4/09 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/10 $000	Recognised in Earnings $000	Recognised in Equity $000	Balance 31/3/11 $000
Assets:							
Property, plant and equipment	(67,390)	248	-	(67,142)	(16,781)	(3,157)	(87,080)
Investment properties	(302)	(281)	-	(583)	(3,920)	-	(4,503)
Financial assets at fair value through profit or loss	(134)	40	-	(94)	33	-	(61)
Liabilities:							
Employee benefits accrued	114	84	-	198	43	-	241
Derivatives	2,864	1,973	(1,842)	2,995	3,856	(1,945)	4,906
	(64,848)	**2,064**	**(1,842)**	**(64,626)**	**(16,769)**	**(5,102)**	**(86,497)**

Imputation credit account

	Consolidated 2011 $000	Consolidated 2010 $000	Parent 2011 $000	Parent 2010 $000
Balance at the beginning of the year	601	601	597	597
Balance at the end of the year	**601**	**601**	**597**	**597**
At balance date the imputation credits available to the shareholders of the Company were:				
Through indirect interests in subsidiaries	601	601	597	597
Balance at the end of the year	**601**	**601**	**597**	**597**

(9) Capital

	Consolidated 2011 $000	Consolidated 2010 $000	Parent 2011 $000	Parent 2010 $000
Total issued capital at the end of the year 40,155,942 ordinary shares	9,050	9,050	9,050	9,050
Executive share scheme	33	10	25	7
Balance at the end of the year	**9,083**	**9,060**	**9,075**	**9,057**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

(10) Intangible assets

Consolidated	**Goodwill**	**Other Intangibles - Lease Agreements**	**Total**
At 31 March 2011	**$000**	**$000**	**$000**
Cost			
Balance at the beginning of the year	8,198	7,834	16,032
Additions at cost	-	28	28
Balance at the end of the year	**8,198**	**7,862**	**16,060**
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	(819)	(3,874)	(4,693)
Impairment	-	(90)	(90)
Amortisation for the year	-	(782)	(782)
Balance at the end of the year	**(819)**	**(4,746)**	**(5,565)**
Carrying value at the end of the year	**7,379**	**3,116**	**10,495**

Consolidated	**Goodwill**	**Other Intangibles - Lease Agreements**	**Total**
At 31 March 2010	**$000**	**$000**	**$000**
Cost			
Balance at the beginning of the year	8,198	7,843	16,041
Disposals	-	(9)	(9)
Balance at the end of the year	**8,198**	**7,834**	**16,032**
Accumulated amortisation and impairment losses			
Balance at the beginning of the year	(819)	(2,834)	(3,653)
Amortisation for the year	-	(1,040)	(1,040)
Balance at the end of the year	**(819)**	**(3,874)**	**(4,693)**
Carrying value at the end of the year	**7,379**	**3,960**	**11,339**

The Company has no intangible assets. The lease agreements impairment relates to two of the brands held by iSite Limited.

The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:

For the purposes of impairment testing, goodwill is allocated to the following cash generating unit, which represents the lowest level at which goodwill is monitored for internal management purposes.

The following unit has a carrying amount of goodwill.

iSite Limited
The impairment test for goodwill is considered annually and whenever there is an indication that the asset may be impaired, assesses the estimated recoverable amount of iSite Limited and compares this to the carrying value. The recoverable amount is assessed by:

- Determining a value in use by discounting the future cash flows of iSite Limited. The cash flows were determined from a base case established for the year ended 31 March 2011 and projected cash flows for the following five years. A pre-tax discount rate range of 16.8% to 19.2% (2010: 17.1%) was used to discount the future cash flows.
- Cash flows were projected based on actual operating results, budgets, five year forecasts for the business and include billboard and other media income, operating costs and capital expenditure assumptions.
- The key assumptions are:
  - Annual revenue is forecast to grow on average by 11.2% per year for the years 2012 to 2016 (2010: 10.2% for the years 2011 to 2015)
  - Annual costs are forecast to grow on average by 10.6% per year for the years 2012 to 2016 (2010: 9.6% for the years 2011 to 2015)
  - Capital expenditure costs are forecast to be on average $0.4 million per year for the years 2012 to 2016 (2010: $0.3 million for the year 2011 to 2015)

At 31 March 2011, the Company reassessed the recoverable amount of iSite Limited. No impairment existed as at 31 March 2011 (2010: $nil).

(11) Property, plant and equipment

Consolidated	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2011						
Cost or valuation						
Balance at 1 April 2010	214,161	131,086	244,971	27,577	30,999	648,794
Additions	-	570	151	712	15,212	16,645
Disposals	-	-	-	(1,073)	-	(1,073)
Transfer from capital work in progress	569	9,169	29,293	4,218	(43,249)	-
Movements in asset revaluation	81	1,905	(5,725)	-	-	(3,739)
Balance at 31 March 2011	**214,811**	**142,730**	**268,690**	**31,434**	**2,962**	**660,627**
Accumulated depreciation and impairment losses						
Balance at 1 April 2010	-	5,714	6,377	14,769	-	26,860
Depreciation for the year	-	5,259	6,685	2,771	-	14,715
Disposals	-	-	-	(888)	-	(888)
Movements in asset revaluation	-	(10,973)	(13,062)	-	-	(24,035)
Balance at 31 March 2011	**-**	**-**	**-**	**16,652**	**-**	**16,652**
Net book value at 31 March 2011	**214,811**	**142,730**	**268,690**	**14,782**	**2,962**	**643,975**

Consolidated	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2010						
Cost or valuation						
Balance at 1 April 2009	203,857	123,945	245,029	27,334	14,446	614,611
Additions	-	-	-	192	23,895	24,087
Disposals	-	-	-	(14)	-	(14)
Transfer from/(to) investment properties	10,304	(41)	(153)	-	-	10,110
Transfer from capital work in progress	-	7,182	95	65	(7,342)	-
Balance at 31 March 2010	**214,161**	**131,086**	**244,971**	**27,577**	**30,999**	**648,794**
Accumulated depreciation and impairment losses						
Balance at 1 April 2009	-	-	-	12,111	-	12,111
Depreciation for the year	-	5,714	6,377	2,656	-	14,747
Disposals	-	-	-	2	-	2
Balance at 31 March 2010	**-**	**5,714**	**6,377**	**14,769**	**-**	**26,860**
Net book value at 31 March 2010	**214,161**	**125,372**	**238,594**	**12,808**	**30,999**	**621,934**

Consolidated	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2011						
Revalued assets at deemed cost						
Cost	85,015	108,331	191,516	27,348	30,999	443,209
Additions	-	570	151	712	15,212	16,645
Disposals	-	-	-	(1,073)	-	(1,073)
Increase/(decrease) in assets under construction during the year	569	9,169	29,293	4,218	(43,249)	-
Less accumulated depreciation	-	(26,299)	(42,289)	(16,729)	-	(85,317)
Net book value 31 March 2011	**85,584**	**91,771**	**178,671**	**14,476**	**2,962**	**373,464**
March 2010						
Revalued assets at deemed cost						
Cost	82,930	101,492	191,291	27,499	14,446	417,658
Transfer from/(to) investment properties	2,085	(80)	(236)	-	-	1,769
Increase/(decrease) in assets under construction during the year	-	7,182	95	256	16,553	24,086
Less accumulated depreciation	-	(24,117)	(36,690)	(14,813)	-	(75,620)
Net book value 31 March 2010	**85,015**	**84,477**	**154,460**	**12,942**	**30,999**	**367,893**

(11) Property, plant and equipment (continued)

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

Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2010						
Cost or valuation						
Balance at 1 April 2009	203,857	123,945	245,029	23,858	14,446	611,135
Additions	-	-	-	-	23,895	23,895
Transfer from/(to) investment properties	10,304	(41)	(153)	-	-	10,110
Transfer from capital work in progress	-	7,182	95	65	(7,342)	-
Balance at 31 March 2010	**214,161**	**131,086**	**244,971**	**23,923**	**30,999**	**645,140**
Accumulated depreciation and impairment losses						
Balance at 1 April 2009	-	-	-	9,889	-	9,889
Depreciation for the year	-	5,714	6,377	2,281	-	14,372
Balance at 31 March 2010	**-**	**5,714**	**6,377**	**12,170**	**-**	**24,261**
Net book value at 31 March 2010	**214,161**	**125,372**	**238,594**	**11,753**	**30,999**	**620,879**

Parent	Land	Civil	Buildings	Vehicles, Plant and Equipment	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000
March 2011						
Revalued assets at deemed cost						
Cost	85,015	108,331	191,516	23,873	30,999	439,734
Additions	-	570	151	414	15,212	16,347
Increase/(decrease) in assets under construction during the year	569	9,169	29,293	4,218	(43,249)	-
Disposals	-	-	-	(117)	-	(117)
Less accumulated depreciation	-	(26,299)	(42,289)	(14,596)	-	(83,184)
Net Book Value 31 March 2011	**85,584**	**91,771**	**178,671**	**13,792**	**2,962**	**372,780**
March 2010						
Revalued assets at deemed cost						
Cost	82,930	101,492	191,291	24,013	14,446	414,172
Transfer from investment properties	2,085	(80)	(236)	-	-	1,769
Increase/(decrease) in assets under construction during the year	-	7,182	95	78	16,553	23,908
Less accumulated depreciation	-	(24,117)	(36,690)	(12,217)	-	(73,024)
Net Book Value 31 March 2010	**85,015**	**84,477**	**154,460**	**11,874**	**30,999**	**366,825**

(11) Property, plant and equipment (continued)

All land, buildings and civil assets were revalued at 31 March 2011 in accordance with the New Zealand Institute of Valuers asset valuation standards. The valuation was undertaken by independent registered valuers, Telfer Young Limited for land and buildings (fair value $483.5 million), and Opus International Consultants Limited for civil assets (fair value $142.7 million).

Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where the assets are of a specialised nature and do not have observable market values in their existing use, optimised depreciated replacement cost is used as the basis of the valuation, as required by NZIAS 16. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

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

Asset classification and description	Valuation approach	Key valuation assumptions
Land		
Aeronautical land - used for airport activities and specialised non-aeronautical assets Non-aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business	Zonal approach - direct sales comparison with appropriate adjustment for intensity of development, location, titles, easement and services	Sales value per square meter applied ranging from $38 to $800 per m2, with a weighted average of $195 per m2
Civil		
Civil works includes sea protection and site services, excluding such site services to the extent that they would otherwise create duplication of value	Optimised depreciated replacement cost	Average cost rates including concrete $740 per m3, asphalt $833 per m3, basecourse $83 per m3 and foundations $15 per m3
Buildings		
Specialised buildings used for identified airport activities	Optimised depreciated replacement cost derived from modern equivalent asset rate	Modern equivalent asset rates ranging from $175 to $5,000 per m2, with a weighted average of $4,050 per m2
Buildings other than for identified airport activities, including space allocated within the main terminal building for retail activities, offices and storage that exist because of the airport activities	Optimised depreciated replacement cost derived from modern equivalent asset rate	Modern equivalent asset rates ranging from $550 to $1,900 per m2, with a weighted average of $1,364 per m2
Vehicle business assets		
Assets associated with car parking and taxi, shuttle and bus services (excluding land)	Discounted cash flow	Revenue growth 3% per annum Cost growth 3% per annum Discount rate 13%
Vehicles, plant and equipment		
Vehicles, plant and equipment comprises a mixture of specialised and non-specialised assets	Book value	-

Capital work in progress

During the year ended 31 March 2011, construction was completed on the new international and domestic departure terminal "The Rock". Construction costs for "The Rock" during the year were $13.4 million, including capitalised borrowing costs of $1.1 million, and total construction costs of $38.4 million were capitalised to property, plant and equipment on 1 November 2010 when the new terminal came into use.

For the year ended 31 March 2011, capitalised borrowing costs amounted to $1.1 million (2010: $1.6 million), with a capitalisation rate of 7.0% (2010: 7.0%).

(12) Investment properties

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Balance at the beginning of the year	48,704	59,554	48,704	59,554
Additions	10	-	10	-
Transfer (to)/from property, plant and equipment	-	(10,110)	-	(10,110)
Investment properties revaluation increase/(decrease)	207	(740)	207	(740)
Balance at the end of the year	**48,921**	**48,704**	**48,921**	**48,704**

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

	Consolidated	
	31 Mar 2011	31 Mar 2010
Discount rate	11.0%	9.0% to 11.0%
Capitalisation rate	9.0%	7.5% to 14.0%
Weighted average lease term (years)	3.3	4.3

	Parent	
	31 Mar 2011	31 Mar 2010
Discount rate	11.0%	9.0% to 11.0%
Capitalisation rate	9.0%	7.5% to 14.0%
Weighted average lease term (years)	3.3	4.3

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Amounts recognised in profit or loss:				
Rental income from investment properties	4,014	4,017	4,014	4,017
Direct operating expenses arising from investment properties that generate income	(594)	(705)	(594)	(705)
Net income	**3,420**	**3,312**	**3,420**	**3,312**

(13) Investment in subsidiary

The Company holds shares in the following:

Subsidiary	**Balance Date**	**2011 Holding**	**2010 Holding**	**Principle activity**	**Country of incorporation**
iSite Limited	31 March	100%	100%	Advertising	New Zealand

(14) Financial instruments

The Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit, Finance 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 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, Finance and Risk Committee and the Board on the Group's risks and the controls and treatments for those risks.

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. 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 financial institutions with a minimum AA rating with Standard & Poor's or equivalent rating with other rating agencies. At 31 March 2011 cash was held solely with ANZ National Bank Limited. The Group has adopted a policy of only dealing with credit-worthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group minimises its exposure to credit risk of trade receivables through the adoption of counterparty credit limits and standard payment terms. Derivative counterparties and cash transactions are limited to high credit-quality financial institutions and other organisations in the relevant industry.

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

The Group has exposure to various counterparties. 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 for aeronautical and advertising services. At 31 March 2011, 71% (2010: 70%) of trade receivables were due from ten customers.

Liquidity risk is the risk that assets held by the Group cannot readily be converted to cash to meet the Group's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The 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 on to the Board, banks and the bond trustee.

Market risk includes interest rate risk (cash flow and fair value) which is the risk of interest rate volatility negatively affecting the Group's interest expense cash flow and earnings. 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.

(a) Credit risk

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

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Trade receivable	10,950	10,099	7,392	7,650
Intercompany receivable	-	-	1,565	143
Trade and other receivables	**10,950**	**10,099**	**8,957**	**7,793**

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

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

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Current	9,984	9,186	8,056	7,060
Overdue 0-30 days	706	710	509	411
Overdue 31-90 days	83	162	80	138
91 days and over	177	41	177	41
Total	**10,950**	**10,099**	**8,822**	**7,650**

There was no allowance for impairment losses (2010: $nil). The gross amounts represent their fair value.

(14) Financial instruments (continued)

(b) Interest rate risk

The Group is exposed to interest rate fluctuations on its bank debt and borrowings. The Group uses interest rate swaps to manage interest rate risk. As at 31 March 2011 the Group has covered 100% of its wholesale bond exposure to floating interest rates with fixed rate swaps (2010: 100%). The average effective interest rate for the interest rate swaps during the year ended 31 March 2011 was 6.72% (2010: 6.72%). At balance date the interest rate contracts outstanding were:

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Interest rate swaps notional value	150,000	150,000	150,000	150,000
Fair value of interest rate swaps	(14,227)	(7,856)	(14,227)	(7,856)
Maturity analysis				
More than 5 years	150,000	150,000	150,000	150,000

(c) Sensitivity analysis

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

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

	Profit or loss			
	2011		2010	
	100 bp increase	**100 bp decrease**	100 bp increase	100 bp decrease
	$000	**$000**	$000	$000
Wholesale bonds	(1,500)	1,500	(1,500)	1,500
Interest rate swaps	8,478	(8,663)	9,395	(9,578)
Net profit and loss sensitivity	**6,978**	**(7,163)**	**7,895**	**(8,078)**

(d) Fair values

Financial instruments consist of cash and short term deposits, receivables, investments, advances to subsidiaries, accounts payable, bank loans and borrowings and derivatives. The fair value of interest rate swaps are detailed in note 14(b). The fair value of all other financial instruments are represented by their carrying value except for the retail bonds which are represented by their quoted value.

(14) Financial instruments (continued)

Consolidated	Held-to-maturity $000	Loans & receivables $000	Fair value through profit and loss $000	Amortised cost $000	Total carrying amount $000	Fair value $000
At 31 March 2011						
Assets						
Cash	34,273	-	-	-	34,273	34,273
Trade and other receivables	-	10,950	-	-	10,950	10,950
Total assets	**34,273**	**10,950**	**-**	**-**	**45,223**	**45,223**
Liabilities						
Trade and other payables	-	-	-	3,855	3,855	3,855
Unsecured bank facilities	-	-	-	8,174	8,174	8,174
Loans and borrowings						
Retail bonds	-	-	-	99,152	99,152	104,187
Wholesale bonds	-	-	-	149,147	149,147	149,147
Derivatives	-	-	14,227	-	14,227	14,227
Total liabilities	**-**	**-**	**14,227**	**260,328**	**274,555**	**279,590**
At 31 March 2010						
Assets						
Cash	31,361	-	-	-	31,361	31,361
Trade and other receivables	-	10,099	-	-	10,099	10,099
Total assets	31,361	10,099	-	-	41,460	41,460
Liabilities						
Trade and other payables	-	-	-	3,648	3,648	3,648
Unsecured bank facilities	-	-	-	8,174	8,174	8,174
Loans and borrowings						
Retail bonds	-	-	-	98,836	98,836	103,357
Wholesale bonds	-	-	-	149,036	149,036	149,036
Derivatives	-	-	7,856	-	7,856	7,856
Total liabilities	-	-	7,856	259,694	267,550	272,071

Estimation of fair values

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of derivative financial instruments are calculated using market-quoted rates based on discounted cash flow analysis
- The fair value of the wholesale bonds is approximated by cost
- The fair value of other financial assets and liabilities are calculated using market-quoted rates based on discounted cash flow analysis.

(14) Financial instruments (continued)

Parent	Held-to-maturity $000	Loans & receivables $000	Fair value through profit and loss $000	Amortised cost $000	Total carrying amount $000	Fair value $000
At 31 March 2011						
Assets						
Cash	32,338	-	-	-	32,338	32,338
Trade and other receivables	-	8,957	-	-	8,957	8,957
Total assets	**32,338**	**8,957**	**-**	**-**	**41,295**	**41,295**
Liabilities						
Trade and other payables	-	-	-	1,400	1,400	1,400
Loans and borrowings						
Retail bonds	-	-	-	99,152	99,152	104,187
Wholesale bonds	-	-	-	149,147	149,147	149,147
Derivatives	-	-	14,227	-	14,227	14,227
Total liabilities	**-**	**-**	**14,227**	**249,699**	**263,926**	**268,961**
At 31 March 2010						
Assets						
Cash	30,509	-	-	-	30,509	30,509
Trade and other receivables	-	7,793	-	-	7,793	7,793
Total assets	30,509	7,793	-	-	38,302	38,302
Liabilities						
Trade and other payables	-	-	-	1,458	1,458	1,458
Loans and borrowings						
Retail bonds	-	-	-	98,836	98,836	104,521
Wholesale bonds	-	-	-	149,036	149,036	149,036
Derivatives	-	-	7,856	-	7,856	7,856
Total liabilities	-	-	7,856	249,330	257,186	262,871

In accordance with NZ IFRS 7, the Group discloses fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table below analyses financial instruments, measured at fair value at the end of the financial year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Consolidated/Parent	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
At 31 March 2011				
Assets				
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Derivatives	-	14,227	-	14,227
Total liabilities	**-**	**14,227**	**-**	**14,227**
At 31 March 2010				
Assets				
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Derivatives	-	7,856	-	7,856
Total liabilities	**-**	**7,856**	**-**	**7,856**

(14) Financial instruments (continued)

(e) Liquidity risk

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.

Consolidated	Balance sheet $000	Contractual cash flows $000	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000
At 31 March 2011							
Accounts payable and accruals	16,273	16,273	16,273	-	-	-	-
Unsecured bank facility	8,174	8,174	8,174	-	-	-	-
Retail bonds	99,152	119,688	3,750	3,750	7,500	104,688	-
Wholesale bonds	149,147	182,631	2,573	2,573	5,145	15,435	156,905
Derivative financial instruments	14,227	14,227	1,122	1,122	2,243	6,730	3,010
Total liabilities	**286,973**	**340,993**	**31,892**	**7,445**	**14,888**	**126,853**	**159,915**
At 31 March 2010							
Accounts payable and accruals	15,638	15,638	15,638	-	-	-	-
Unsecured bank facility	8,174	8,174	-	-	8,174	-	-
Retail bonds	98,836	127,188	3,750	3,750	7,500	112,188	-
Wholesale bonds	149,036	182,929	2,243	2,242	4,485	13,455	160,504
Derivative financial instruments	7,856	7,856	535	535	1,070	3,210	2,506
Total liabilities	**279,540**	**341,785**	**22,166**	**6,527**	**21,229**	**128,853**	**163,010**

Parent	Balance sheet $000	Contractual cash flows $000	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000
At 31 March 2011							
Accounts payable and accruals	13,745	13,745	13,745	-	-	-	-
Retail bonds	99,152	119,688	3,750	3,750	7,500	104,688	-
Wholesale bonds	149,147	182,631	2,573	2,573	5,145	15,435	156,905
Derivative financial instruments	14,227	14,227	1,122	1,122	2,243	6,730	3,010
Total liabilities	**276,271**	**330,291**	**21,190**	**7,445**	**14,888**	**126,853**	**159,915**
At 31 March 2010							
Accounts payable and accruals	13,386	13,386	13,386	-	-	-	-
Retail bonds	98,836	127,188	3,750	3,750	7,500	112,188	-
Wholesale bonds	149,036	182,929	2,243	2,242	4,485	13,455	160,504
Derivative financial instruments	7,856	7,856	535	535	1,070	3,210	2,506
Total liabilities	**269,114**	**331,359**	**19,914**	**6,527**	**13,055**	**128,853**	**163,010**

(f) Cash flow hedges

(i) Amortisation of fair value of ineffective hedges transferred from equity

Hedge accounting ceased on 4 March 2009 and as at the date of change, a cash flow hedge reserve of $18.8 million was held. The cash flow hedge reserve is amortised to profit and loss in the statement of comprehensive income from the date of change over the original terms of the contracts maturing in 2011 and 2012.

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

As at 31 March 2011, the Group has interest rate contracts with maturities up to August 2017. Interest rate contracts are marked to market and this has resulted in an unrealised loss of $6.4 million in the year ended 31 March 2011 (2010: unrealised gain of $1.7 million).

(14) Financial instruments (continued)

(g) Capital management

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

		Consolidated		Parent	
	Notes	**2011**	2010	**2011**	2010
Net debt		**$000**	$000	**$000**	$000
Unsecured bank debt	5	(8,174)	(8,174)	-	-
Unsecured subordinated bonds	6	(248,299)	(247,872)	(248,299)	(247,872)
Cash at bank	7	34,273	31,361	32,338	30,509
Total net debt		**(222,200)**	**(224,685)**	**(215,961)**	**(217,363)**
Total equity		**(364,159)**	**(369,851)**	**(369,291)**	**(375,162)**
Total capital funding		**(586,359)**	**(594,536)**	**(585,252)**	**(592,525)**
Gearing ratio		**37.9%**	**37.8%**	**36.9%**	**36.7%**

(15) Accrued employee benefits

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Salaries and wages	719	484	698	463
Annual leave	612	558	475	444
Accident compensation corporation	2	3	2	3
Total accrued employee benefits	**1,333**	**1,045**	**1,175**	**910**

(16) Defined contribution plans

The Group makes contributions to various IRD approved KiwiSaver schemes on behalf of employees. During the year, the amount recognised as an expense was $0.1 million (2010: $0.1 million).

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

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Net (loss)/surplus	(18,929)	7,281	(19,103)	7,306
Add items not involving cash flows				
Investment property revaluation (increase)/decrease	(207)	740	(207)	740
Property, plant and equipment revaluation decrease	213	-	213	-
Change in value of financial instruments designated as fair value through profit or loss	6,372	(1,682)	6,372	(1,682)
Amortisation of fair value of ineffective hedges transferred from equity	6,149	6,140	6,149	6,140
Depreciation	14,715	14,747	14,403	14,372
Loss/(Gain) on disposal of property, plant and equipment	157	(20)	(2)	(12)
Impairment loss on intangibles	90	-	-	-
Amortisation of intangibles	782	1,040	-	-
Movement in deferred tax	16,798	(2,229)	16,769	(2,066)
Interest capitalised	(1,098)	(1,592)	(1,098)	(1,592)
Movements in working capital				
Increase in trade and accounts receivables	(851)	(1,600)	(1,164)	(250)
Decrease in sundry receivables	397	445	480	494
Increase/(decrease) in accounts payable	207	(943)	(58)	(2,155)
Increase in accruals and other liabilities	522	1,143	505	1,118
Increase in taxation payable	1,556	1,660	1,541	1,572
Net cash inflow from operating activities	**26,873**	**25,130**	**24,800**	**23,985**

(18) Segment reporting

Analysis of the revenue breakdown for the Group and the Company are provided to the chief operating decision-maker, identified as the Chief Executive Officer. This analysis does not provide individual operating results or statements of financial performance or position for these revenue classifications. The Company has, therefore, determined that two reportable segments exist for (i) the airport and related operations including investment properties and (ii) the advertising operations.

The airport related operations solely comprise the Company, which includes landing and terminal charges, international departure fees, property leases, retail and trading revenues. Advertising operations solely comprise iSite Limited. Revenue between segments is on an arm's length basis.

The Company operates entirely in one geographical segment, New Zealand.

Business segments	**Airport**	**Advertising**	**Non segment items**	**Consolidated**
	$000	**$000**	**$000**	**$000**
At 31 March 2011				
Segment revenue - total	91,911	24,838	(2,000)	114,749
Inter-segment revenue	-	(2,000)	2,000	-
Segment revenue	91,911	22,838	-	114,749
Depreciation, amortisation and (loss)/gain on sale of fixed assets	(14,403)	(1,251)	-	(15,654)
Impairment	-	(90)	-	(90)
Interest revenue	652	-	-	652
Interest expense	(17,577)	(419)	-	(17,996)
Financial derivative fair value movements	(6,372)	-	-	(6,372)
Net surplus before taxation	(793)	219	-	(574)
Taxation expense	(18,310)	(45)	-	(18,355)
Net surplus/(deficit)	(19,103)	174	-	(18,929)
Segment assets	744,467	7,034	(1,565)	749,936
Segment liabilities	(375,176)	(11,135)	534	(385,777)
Non-current assets	702,136	2,685	(1,430)	703,391
Additions to non-current assets	15,324	298	-	15,622
At 31 March 2010				
Segment revenue - total	86,246	19,984	(1,584)	104,646
Inter-segment revenue	-	(1,584)	1,584	-
Segment revenue	86,246	18,400	-	104,646
Depreciation, amortisation and (loss)/gain on sale of fixed assets	(14,372)	(1,415)	-	(15,787)
Impairment	-	-	-	-
Interest revenue	774	-	-	774
Interest expense	(17,318)	(311)	-	(17,629)
Financial derivative fair value movements	1,682	-	-	1,682
Net surplus before taxation	6,815	(102)	-	6,713
Taxation benefit	491	77	-	568
Net surplus/(deficit)	7,306	(25)	-	7,281
Segment assets	719,762	6,987	(2,020)	724,729
Segment liabilities	(344,600)	(11,544)	1,266	(354,878)
Non-current assets	680,371	3,483	(1,877)	681,977
Additions to non-current assets	22,292	159	-	22,451

Major customers

The Company has three main airline customers (Air New Zealand Group, Qantas Group and Pacific Blue Group). The revenue from these customers reported under the airport business segment and for the year ended 31 March 2011 was $48.7 million (2010: $46.7 million).

(19) Related parties

Subsidiary

During the year iSite Limited made a contractual payment for the rights to sell advertising space at sites owned by the Company. The commencement of the contract predates the Company's equity holding in iSite Limited and as such was negotiated on an arms-length basis. The total payments during the year under the contract was $2,000,127 (2010: $1,584,123). The balance due to the Company at 31 March 2011 was $134,995 (2010: $143,062).
The Company's advance to iSite Limited on a non-interest bearing basis has now been repaid in full (2010: $692,360).

Other Related Parties

WIAL is 66% owned by NZ Airports Limited, which is a 100% subsidiary of Infratil Limited. Wellington City Council owns the remaining 34% of the Company.

During the year the Group made a subvention payment to a subsidiary of Infratil Limited of $27,244,763 (2010: $23,675,105).

The Group transacts with the Wellington City Council in the normal course of business on an arms-length basis. During the year the Group made a dividend payment to the Wellington City Council of $8,340,586 (2010: $7,067,841) i.e. 0.61 cents per share (2010: 0.52 cents per share).

The Group paid NZ Airports Limited fees totalling $540,000 for the services of the WIAL Chief Executive for the year ended 31 March 2011 (2010: $369,500). The services for the year ended 31 March 2011 included $140,000 in relation to prior years.

The Group paid Flat Earth Solutions Limited, of which Andy Scotland (iSite Director and a former WIAL Executive) is one of its Directors, fees for consultancy services on the online carpark, WIAL database, loyalty program and WIAL lounge projects totalling $139,518 (2010: $91,771).

Directors fees were paid during the year to HRL Morrison & Co of $82,583 for the services of T Brown and K Baker as Directors (2010: $80,000).

During the year, iSite Limited made payments to Infratil Outdoor Media Limited, a 100% subsidiary of Infratil Limited. The payments relate to the right to sell advertising of $5,958,838 (2010: $3,616,849). The total payable owed to Infratil Outdoor Media Limited at 31 March 2011 was $964,693 (2010: $929,825). In addition, during the year the Group received overhead related recharges from Infratil Outdoor Media Limited of $1,386,048 (2010: $567,237). Trade receivables owed by Infratil Outdoor Media Limited at 31 March 2011 were $200,898 (2010: $150,782).

During the year Snapper Services Limited, a 100% subsidiary of Infratil Limited, acquired outdoor advertising services from iSite to the value of $107,333 (2010 $nil). The trade receivables owed by Snapper Services Limited as at 31 March 2011 were $37,706 (2010 $nil).

During the year NZ Bus Limited, a 100% subsidiary of Infratil Limited, made payments to the Group totalling $142,456 (2010: $127,091) for services relating to the Airport Flyer Bus. The trade receivables owed by NZ Bus Limited as at 31 March 2011 was $15,173 (2010: $7,960).

During the year Greenstone Energy Limited, 50% owned by Infratil Limited, made payments to the Group totalling $20,561 (2010: $nil) for the lease of property and land. The trade receivables owed by Greenstone Energy Limited as at 31 March 2011 was $2,021 (2010: $nil).

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

(20) Financial commitments

(a) Fixed assets

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Contracted but not provided for	**4,681**	**12,617**	**4,681**	**12,617**

The fixed assets contracted but not provided relate to the construction of a new hangar on the western apron and sundry civil projects.

(20) Financial commitments (continued)

(b) Leases

Lease commitments to the Company

The Company owns investment properties and other properties, plant and equipment which are leased to produce property income. The lessee commitments to the Company expire as set out below:

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Between 0 to 1 year	20,126	17,875	20,126	17,875
Between 1 to 2 years	16,786	16,134	16,786	16,134
Between 2 to 5 years	26,804	30,280	26,804	30,280
More than 5 years	5,835	9,185	5,835	9,185
Total lessor commitments	**69,551**	**73,474**	**69,551**	**73,474**

Lease commitments of the Group

The Group has commitments under operating leases relating to the lease of premises and hire of plant and equipment. iSite Limited leases a large number of billboard and light-box sites under operating leases and includes some that provide for additional rent payments based on site revenue. The leases run for periods ranging from 1 to 20 years. The lease commitments expire as set out below:

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Between 0 to 1 year	3,136	2,765	786	802
Between 1 to 2 years	2,656	2,439	776	774
Between 2 to 5 years	5,146	4,760	2,279	2,279
More than 5 years	7,193	9,445	6,349	7,098
Total lessee commitments	**18,131**	**19,409**	**10,190**	**10,953**

(21) Contingent liabilities

There were no contingent liabilities outstanding at 31 March 2011 (31 March 2010: nil).

(22) Key management personnel disclosures

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
Short-term employee benefits	**2,009**	**1,642**	**1,236**	**1,044**

The key management personnel include the Directors of the Company and those personnel reporting directly to the Chief Executive. The Directors' fees of $237,550 (2010: $230,200) disclosed in note 4 for operating expenses are also included here as they form part of the remuneration to key management personnel.

(23) Infratil staff share scheme

The Group operates two staff share schemes, namely an executive share scheme and a staff share purchase scheme.
The Group has recorded $67,479 in the profit or loss in respect of the executive share scheme for the year ended 31 March 2011 (2010: $39,728). In association with employee participation in the staff share purchase scheme, the Group and Company have recorded $30,046 in interest free loans for the year ended 31 March 2011 (2010: $29,890).

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

(24) Events after balance date

Subsequent to balance date, the Company received an offer from Infratil Limited to purchase its wholly owned subsidiary iSite Limited. The Company considers that it is highly probable that it will sell its holding in iSite Limited. iSite Limited is disclosed in note 18: Segment reporting as the advertising segment.

In April 2011, the Group renewed its bank debt facilities and now has arranged unsecured bank debt facilities of $99.0m, of which $69.0m expires in June 2014 and $30.0m expires in June 2016.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2011

Directors' interests

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

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

Directors' interests (continued)

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

Remuneration of Directors

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

Director name	Fees
David Newman	$70,800
Kevin Baker	$40,583
Tim Brown	$42,000
Steven Fitzgerald	$nil
Ian McKinnon (appointed 11 November 2010)	$16,792
Kerry Prendergast (resigned 11 November 2010)	$21,875
Keith Sutton	$45,500

The Directors received no other remuneration or benefits for services in that office or in any other capacity other than as disclosed in notes 19 and 22.

Entries in the interest register

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

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

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

Loans to Directors

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

Use of company 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 Company has arranged policies of Directors' and officers' liability insurance with cover appropriate for the Group's operations.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2011

Remuneration of employees

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

Amount of remuneration	Employees
$100,000 to $110,000	4
$110,001 to $120,000	2
$130,001 to $140,000	3
$140,001 to $150,000	4
$150,001 to $160,000	1
$160,001 to $170,000	1
$170,001 to $180,000	2
$180,001 to $190,000	1
$210,001 to $220,000	1
$230,001 to $240,000	1
$310,001 to $320,000	1
$330,001 to $340,000	1

CORPORATE GOVERNANCE

Role of the Board

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

Board Membership

The Board currently comprises five non-executive Directors including the Chairman and one executive Director.

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

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

Directors' Shareholding

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

Audit, Finance & Risk Committee

The Board has established an Audit, Finance & Risk Committee comprising of three Directors, Mr K Sutton (Chairman), Mr K Baker and Mr D Newman with attendances by appropriate Wellington International Airport Limited representatives.

The main objectives of the Audit, Finance 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:

- o financial reporting;
- o accounting policies;
- o financial management;
- o internal control system;
- o risk management system;
- o systems for protecting Group assets; and
- o compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial and and non-financial disclosures.

• Enhance the efficiency of the Board by allowing delegated issues to be discussed in sufficient depth and, where necessary, with appropriate independent advice.
• Review management's letters of representation to the auditors.
• Facilitate the continuing independence of the external auditor and enhancing the effectiveness of external audit.
• Provide a formal forum for enhancing communication between the Board, senior financial management and external audit, ensuring there has been no unjustified restrictions or limitations placed on the auditors.
• Reviewing management practices in relation to the identification and management of significant business risk areas and regulatory compliance. Formal systems have been introduced for regular reporting to the Board on business risk and compliance matters

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

Other Committees

The Board has established a Treasury Committee comprising of three Directors, Mr T Brown (Chairman), Mr K Sutton and Mr D Newman with attendances by appropriate Wellington International Airport Limited representatives.

The duties of the Treasury Committee are allocated by the Board and include the following:
• to review and recommend to the Board any changes to the treasury management policies,
• to oversee the development of the strategy to implement treasury management policies,
• to recommend to the Board instrument types that may be used,
• to recommend to the Board bank counterparties and counterparty limits.

The Board has established a Remuneration Committee comprising of two Directors, Mr D Newman (Chairman) and Mr I McKinnon with attendances by appropriate Wellington International Airport Limited representatives. The duties of the Remuneration Committee is primarily to ensure that members of the executive team are fairly and equitably remunerated relative to comparable positions within the New Zealand market.

Internal Financial Control

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

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

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

Risk Management and Compliance

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

Directors' and Officers' Insurance

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

Independent Professional Advice

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

Going Concern

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

The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the annual report, interim report, meetings and New Zealand Exchange (NZX) announcements.

Corporate Governance Best Practice Code

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

2007 to 2011: FIVE YEAR SUMMARY

WIAL AIRPORT STATISTICS

Passenger movements (000's)	2011	2010	2009	2008	2007
Domestic	4,480	4,491	4,645	4,416	4,060
International	655	627	611	603	575
Total	**5,135**	**5,118**	**5,256**	**5,019**	**4,635**

Aircraft movements	2011	2010	2009	2008	2007
Domestic	83,072	84,708	88,856	93,670	93,950
International	5,512	5,476	5,554	5,270	5,678
Private, military, freight and other movements	12,112	12,834	15,268	12,330	11,474
Total	**100,696**	**103,018**	**109,678**	**111,270**	**111,102**

Number of employees	2011	2010	2009	2008	2007
FTE	84	84	78	77	73

WIAL CONSOLIDATED FINANCIAL RESULTS

Statement of financial position ($000's)			NZ IFRS		
	2011	2010	2009	2008	2007
Non-current assets	703,391	681,977	675,686	602,798	582,656
Current assets	46,545	42,752	77,834	16,338	15,317
Total assets	**749,936**	**724,729**	**753,520**	**619,136**	**597,973**
Non-current liabilities	348,621	328,097	333,638	264,072	203,168
Current liabilities	37,156	26,781	54,552	30,589	77,507
Total liabilities	**385,777**	**354,878**	**388,190**	**294,661**	**280,675**
Net assets/Shareholders' equity	**364,159**	**369,851**	**365,330**	**324,475**	**317,298**

Number of employees	2011	2010	2009	2008	2007
FTE	107	103	91	89	85

Statement of profit and loss ($000's)			NZ IFRS		
	2011	2010	2009	2008	2007
Operating revenue	114,749	104,646	96,060	88,376	76,493
Operating expenses (excluding subvention payment)	(42,463)	(36,438)	(30,723)	(28,353)	(26,827)
Operating earnings before interest, tax, depreciation and amortisation	**72,286**	**68,208**	**65,337**	**60,023**	**49,666**
Investment property revaluation increase/(decrease)	207	(740)	(6,369)	642	5,585
Property, plant and equipment revaluation decrease	(213)	-	(946)	-	-
(Loss)/gain on sale of fixed assets	(157)	20	-	-	-
Change in value of financial instruments designated as fair value through profit or loss	(12,521)	(4,458)	7,758	-	-
Amortisation of intangibles	(782)	(1,040)	(1,241)	(1,593)	(2,594)
Impairment loss of intangibles	(90)	-	(819)	-	-
Total earnings before interest, tax and depreciation	**58,730**	**61,990**	**63,720**	**59,072**	**52,657**
Depreciation	(14,715)	(14,747)	(12,871)	(11,982)	(10,118)
Earnings before interest and tax	**44,015**	**47,243**	**50,849**	**47,090**	**42,539**
Net finance cost	(17,344)	(16,855)	(20,106)	(16,617)	(12,632)
Subvention payment	(27,245)	(23,675)	(23,287)	(18,679)	(19,405)
(Loss)/profit before taxation	**(574)**	**6,713**	**7,456**	**11,794**	**10,502**
Taxation	(18,355)	568	(453)	(1,146)	(1,253)
(Loss)/profit after taxation	**(18,929)**	**7,281**	**7,003**	**10,648**	**9,249**
Dividends	(8,341)	(7,068)	(7,185)	(5,643)	(5,643)
Retained earnings/(deficit)	**(27,270)**	**213**	**(182)**	**5,005**	**3,606**

Independent Auditor's Report

To the shareholders of Wellington International Airport Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Wellington International Airport Limited and its subsidiary company ("the Group") on pages 7 to 35. The financial statements comprise the statement of financial position as at 31 March 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the Group in relation to taxation services. 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 auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Opinion

In our opinion the financial statements of Wellington International Airport Limited on pages 7 to 35:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Group as at 31 March 2011 and of its financial performance and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Wellington International Airport Limited as far as appears from our examination of those records.

KPMG

17 May 2011

Wellington