

WELLINGTON
INTERNATIONAL AIRPORT LIMITED

**Disclosure Financial
Statements**

Pursuant to the Airport Authorities (Airport Companies
Information Disclosure) Regulations 1999

FOR THE YEAR ENDED

31 MARCH 2000



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DISCLOSURE FINANCIAL STATEMENTS

The directors have pleasure in presenting the Disclosure Financial Statements of Wellington International Airport Limited for the year ended 31 March 2000. These statements present the results of the aeronautical operations of the company and additional information as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Directors

The directors of the company during the period were:

- Phillip Walker, Chairman
- Denis Thom
- Mark Blumsky
- Lloyd Morrison
- David Newman
- Duncan Saville
- Matthias Seidenstücker (*alternate director for Phillip Walker and Lloyd Morrison*)
- Timothy Brown (*alternate for Lloyd Morrison from 18 June 1999*)

Company's Affairs and Nature of Business

The business of the company is the provision of airport facilities and services. The nature of the company's business has not changed during the period under review.

Directors' Certificate

These statements have been prepared to meet the requirements of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

On behalf of the board

David Newman
DIRECTOR
31 August 2000

Tim Brown
DIRECTOR

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2000

	<i>Note</i>	<i>\$000</i>
Revenue	1	<u>22,031</u>
Expenses		
Audit fees		23
Depreciation	2	5,625
Directors' fees		113
Employee remuneration and benefits		3,810
Interest and financing costs	3	7,050
Rental and leasing costs		74
Repairs and maintenance		1,204
Other operating expenses		<u>3,140</u>
Total expenses		<u>21,039</u>
Surplus before taxation		992
Taxation	4	<u>(989)</u>
Surplus after taxation		<u><u>1,981</u></u>

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

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2000

	\$000
Equity at beginning of period	101,350
Revenues and expenses attributable to the period	
Net surplus for the period	1,981
Revaluation of fixed assets	(540)
Total recognised revenues and expenses for the period	<u>1,441</u>
Distributions to shareholders during the period	
Repurchase of shares	(39,767)
Dividend paid	(6,279)
Total distributions for the period	<u>(46,046)</u>
Equity at end of period	<u><u>56,745</u></u>

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

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2000

	Note	\$000
ASSETS		
Current assets		
Trade accounts receivable		2,513
Prepayments		1,384
Sundry accounts receivable		57
Tax receivable		1,805
Total current assets		5,759
Non-current assets	6	203,293
TOTAL ASSETS		209,052
LIABILITIES		
Current liabilities		
Bank overdraft and advances	5	1,794
Trade accounts payable		2,058
Accruals and other liabilities		3,043
Employee entitlements		275
Total current liabilities		7,170
Non-current liabilities		
Unsecured debt	7	98,788
Bank advances	5	303
Total non-current liabilities		99,091
Subordinated debt	8	46,046
TOTAL LIABILITIES		152,307
NET ASSETS		56,745
EQUITY		
Other Equity	9	14,376
Revaluation reserve	10	42,369
TOTAL EQUITY		56,745

On behalf of the board

David Newman
DIRECTOR

Tim Brown
DIRECTOR

31 August 2000

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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2000

	<i>Note</i>	<i>\$000</i>
<i>Cash flows from operating activities</i>		
Cash was provided from:		
Receipts from customers		22,048
Taxes Received		262
Interest received		20
		<u>22,330</u>
Cash was applied to:		
Payments to suppliers and employees		(8,857)
Goods and services tax paid		(21)
Interest paid		(8,325)
		<u>(17,203)</u>
<i>Net cash flows from operating activities</i>	11	5,127
<i>Cash flows from investing activities</i>		
Cash was provided from:		
Sale of non-current assets		0
Cash was applied to:		
Purchase of non-current assets		(18,120)
Capitalised interest		(667)
		<u>(18,787)</u>
<i>Net cash flows from investing activities</i>		(18,787)
<i>Cash flows from financing activities</i>		
Cash was provided from:		
Draw-down of non-current debt *		59,459
Cash was applied to:		
Repurchase of shares		(39,767)
Dividends paid		(6,279)
		<u>13,413</u>
<i>Net cash flows from financing activities</i>		13,413
NET MOVEMENT IN CASH		(247)
Cash at beginning of year		<u>(1,547)</u>
CASH AT END OF YEAR	5	<u>(1,794)</u>

* Cash flows arising from movements in non-current debt have been netted in order to provide more meaningful disclosure.

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

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 March 2000

1 Reporting entity

Wellington International Airport Limited is a company established under the Wellington Airport Act 1990 and was incorporated in September 1990. The company is registered under the Companies Act 1993.

These financial statements were prepared in accordance with generally accepted accounting practice as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

All the assets of Wellington International Airport were vested in the company on 16 October 1990 by an Order in Council. The company commenced trading on 16 October 1990.

2 Measurement basis

These financial statements have been prepared using the historical cost measurement basis modified by the revaluation of certain assets.

3 Changes in accounting policies

There have been no changes in accounting policies during the period. The following policies have been applied on bases consistent with those used in prior years.

4 Statement of accounting policies

(a) *Non-current assets*

Fixed assets are revalued on a systematic basis with no individual asset included at a valuation undertaken more than three years previously. Fixed assets are revalued to their net current value, determined by an independent valuation, in accordance with Statement of Standard Accounting Practice No. 28: Accounting for Fixed Assets.

Additions not yet subject to independent valuation, including capital work in progress, are recorded at cost plus capitalised interest where appropriate.

(b) *Depreciation*

Depreciation is provided on a straight line basis on all tangible non-current assets other than freehold land and capital work in progress at rates calculated to allocate the assets' cost or valuation, less estimated residual value, over their estimated remaining useful lives.

(c) *Accounts receivable*

Accounts receivable are stated at their expected realisable value.

(d) *Income tax*

The income tax expense charged to the statement of financial performance includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible expenses.

Deferred taxation calculated using the liability method on a partial basis, is accounted for in respect of those timing differences that are expected to reverse in the foreseeable future. A deferred tax benefit is recognised only if there is virtual certainty of realisation.

(e) *Financial instruments*

The company is a party to financial instruments as part of its day to day operating activities.

When appropriate, it enters into agreements to manage its interest rate risk. While assets and liabilities relating to these agreements are not recognised in the statement of financial position, gains and losses are recognised in the statement of financial performance as they arise.

Revenues and expenses in relation to all financial instruments are recognised in the statement of financial performance. All financial instruments, other than agreements to manage interest rate risk are recognised in the statement of financial position.

(f) *Comparative figures*

The Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 came into force on 1 September 1999. The Regulations require Disclosure Financial Statements to be completed for each balance date of the company occurring after 1 January 2000. The Regulations do not require comparative amounts to be provided for balance dates falling prior to 1 January 2000.

NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

For the year ended 31 March 2000

1 REVENUE

	<i>\$000</i>
Airport landing and terminal charges	15,504
Check in counter rental charges	318
Airport development charge	3,698
Rental, lease and concession	2,324
Other	187
	<u>22,031</u>

2 DEPRECIATION

	<i>\$000</i>
Depreciation	<u>5,625</u>
Major depreciation periods (in years) are:	
Civil works	10 - 30
Buildings	14 - 60
Plant and equipment	3 - 20
Computers and communications equipment	1 - 5
Vehicles	3 - 8

Individual assets' remaining useful lives and residual values are assessed during the revaluation process and depreciation is calculated on a basis consistent with those parameters. Depreciation is not charged on identified civil works assets on the basis that programmed repairs and maintenance sustain the assets' future service potential at its current level.

Assets with lives shortened by development plans have been excluded from the table above.

3 INTEREST AND FINANCING COSTS

	<i>\$000</i>
Interest and financing costs	7,360
Interest rate hedging	357
Less amount capitalised	(667)
Interest and financing expense	<u>7,050</u>

A proportion of interest and financing costs directly relating to the construction of assets has been capitalised during the period and included in the cost of non-current assets.

This is in accordance with the policy of recognising the full cost of bringing non-current assets to the location and condition necessary for their intended purpose.

Interest and financing costs were allocated according to asset values.

NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

4 TAXATION

	<i>\$000</i>
<i>Income tax expense</i>	
Surplus before taxation	992
Current income tax at 33%	<u>327</u>
Tax effect of permanent differences	(1,244)
Under provision in prior years	<u>(72)</u>
Income tax expense	<u><u>(989)</u></u>

Deferred Tax

A deferred tax liability of \$3,346,000 relating to timing differences, has not been recognised.

A tax loss benefit of \$917,000 has been recognised. Subsequent realisation of this benefit is subject to the requirements of income tax legislation being met.

	<i>\$000</i>
<i>Imputation credit account</i>	
Balance at beginning of period	0
Income tax paid	<u>313</u>
Balance at end of period	<u><u>313</u></u>

5 CASH AND BANK BALANCES

	<i>\$000</i>
Bank overdraft	(24)
Bank advances	(2,073)
less non-current portion of bank advances	<u>303</u>
Net balance at end of period	<u><u>(1,794)</u></u>
Non-current bank advances	<u><u>(303)</u></u>

The company has an unsecured bank overdraft facility of \$250,000 at 31 March 2000. The interest rate set by the bank applicable to the overdraft at period end was 9%.

The company also uses an uncommitted short-term debt facility. The balance outstanding at 31 March 2000 was \$3.3 million (1999 - nil). Interest rates applying to amounts drawn down during the period were floating and determined by reference to prevailing money market rates at the time of draw down plus a margin. Interest rates paid during the year ranged from 4.9% to 7.1%.

Bank advances of \$3,034,000 were received on 31 March 1999 as part of the restructuring of the company's portfolio of interest rate derivatives. Repayment of the advances is to be spread over the term of the derivative agreements.

NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

6 NON-CURRENT ASSETS

	Valuation	Accumulated depreciation	Net carrying value
	\$000	\$000	\$000
Land and civil works	98,987	0	98,987
Buildings	92,184	0	92,184
Vehicles, plant and equipment	10,793	0	10,793
Capital work in progress	1,329		1,329
Total	203,293	0	203,293

All non-current assets were revalued at 31 March 2000 in accordance with the New Zealand Institute of Valuers asset valuation standards. The valuation was undertaken by independent registered valuers, Ernst & Young, and incorporated a valuation of the airport civil works by Opus International Consultants Limited and of plant and equipment by CB Richard Ellis. Ernst & Young's report on the valuation was received on 12 April 2000.

In general, airport assets are of a specialised nature and do not have observable market values in their existing use. Optimised depreciated replacement cost (ODRC) was used as the basis of the valuation. 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.

7 UNSECURED BANK LOANS

At period end the company had an unsecured negative pledge funding facility with a limit of \$130 million (1999 - \$130 million) underwritten by The Bank of New Zealand Limited, ANZ Banking Group (New Zealand) Limited and Westpac Banking Corporation.

Under the current facility the company is able to draw down funds as required by means of competitive tenders for either cash advances or promissory notes.

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 year ranged from 4.76% to 6.31%.

8 SUBORDINATED DEBT

A financial restructure of the company was undertaken on 30 September 1999. The restructure involved the repurchase of company shares and the advance of subordinated debt funding by the shareholders.

If the company's debt obligations to all other lenders have been met the Subordinated Debt is repayable on demand by the Creditors. The Company also has the right to prepay part of the Subordinated Debt if the prepayment does not result in a breach of the debt covenants and requirements of the Negative Pledge Deed or other Finance Documents.

Interest is payable on the last day of each quarter of the company's financial year. The interest rate is set in advance for the next quarter on each interest payment date. The interest rate payable is set at 4% above base rate where the base rate is the bid

settlement rate on the Reuters Monitor Screen page BKBM on the last day of each quarter.

NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

9 OTHER EQUITY

	\$000
Contributed Capital	7,577
Retained Earnings	<u>6,799</u>
	14,376

At 31 March 2000 40,155,942 shares were on issue. All shares have equal voting rights and share equally in dividends and equity.

10 REVALUATION RESERVE

	Land and civil works \$000	Buildings \$000	Vehicles plant and equipment \$000	<i>Total</i> \$000
Balance at end of period	<u>25,564</u>	<u>8,193</u>	<u>8,612</u>	<u>42,369</u>

11 RECONCILIATION OF SURPLUS AFTER TAXATION WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	\$000
Surplus after taxation	1,981
Non-cash items	
Depreciation	<u>5,625</u>
	7,606
Working capital movements	
Trade accounts receivable	(846)
Prepayments	(954)
Sundry accounts receivable	897
Income tax	(1,248)
Trade accounts payable	(2,716)
Employee entitlements	(392)
Accruals and other liabilities	<u>2,780</u>
	(2,479)
Net cash flows from operating activities	<u><u>5,127</u></u>

NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

A range of financial instruments were recorded in the company's statement of financial position that expose the company to interest rate and credit risk in the ordinary course of business.

Interest rate risk

The cost of the company's borrowings through its overdraft, uncommitted and underwritten funding facilities is sensitive to changes in interest rates. The interest rates incurred on the company's current and non-current liabilities are disclosed in notes 5 and 7 respectively. The company does not make material deposits of funds.

The company enters into financial instruments, that are not recorded in the statement of financial position, as a means of reducing exposure to interest rate fluctuations. These "off balance sheet" instruments are subject to the risk of market rates changing subsequent to acquisition but such changes would generally be offset by opposite effects on the items being hedged.

In terms of the treasury management policy adopted by the board of directors, the company is not permitted to enter into any derivative instruments for speculative purposes.

Principal values

The principal or contract amounts of off balance sheet financial instruments at balance date were as follows. This gives an indication of the relative significance of the use of derivative instruments but not necessarily the extent of future gains or losses.

Principal or contract values of derivative

	\$000
<i>Hedges in place at period end</i>	
Interest rate swaps	100,000
<i>Hedges with forward start dates</i>	
Interest rate swaps	20,000

Fair values

The carrying values shown in the statement of financial position were the fair value for all the classes of financial instruments of the company except for interest rate swaps and options.

The carrying value and fair value of the swaps held at 31 March 2000 were:

	Carrying value \$000	Fair value \$000
Interest rate swaps	104	190

Basis of valuation

The carrying value of hedges in place at period end was the net interest accrued at balance date. Fair values for all hedges were estimated based on quoted market prices.

NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS (cont)

Credit risk

Financial instruments, which potentially subject the company to credit risk principally, consisted of trade accounts receivable and sundry accounts receivable. The company does not routinely require collateral or charge interest in respect of its financial assets.

The company actively manages and monitors its accounts receivable on an ongoing basis. There is a limited base of customers for the services provided by the airport company. Credit risk is therefore concentrated in a small number of accounts. At year end 82% of trade receivables was due from ten customers. These amounts have been substantially recovered since 31 March 2000.

The maximum exposure to credit risk at 31 March 2000 was the carrying amount as stated in the statement of financial position. There was no exposure to credit risk arising from off-balance sheet financial instruments at period end.

Currency risk

The company was not exposed to any material currency risk during the period or at period end.

13 RELATED PARTY TRANSACTIONS

During the period ended 31 March 1999 the board of directors appointed Morrison & Co. as advisors on the refinancing of the company's debt and a review of its capital structure and interest rate profile. The contract was agreed on arms-length terms. The fee incorporated hourly rates, arrangement fee and reimbursement of expenses. The fee totalling \$347,000 has been recognised in the financial statements for the year to 31 March 2000.

There were no other material related party transactions during the period. All transactions were conducted on an arm's length basis.

14 CAPITAL COMMITMENTS

	\$000
Contracted but not provided for	4,773

Capital commitments consist primarily of the anticipated future costs of the terminal area development. The board of directors approved the whole project in August 1996.

By year end contracts had been signed for all significant elements of the construction work. No provision has been made in the financial statements for amounts not yet certified under those contracts. The estimated costs to completion of the contracts have been included above in amounts contracted but not provided for.

15 CONTINGENCIES

There were no material contingent liabilities at 31 March 2000.

Segmental Information for Identified Airport Activities For the Year Ended 31 March 2000

The Disclosure Regulations require the company to present segmental information for three specified airport activities. These activities are defined in the Airport Authorities Act 1966 and amendments. The definitions contained in the Act are as follows:

1. Airfield Activities

Airfield activities means the activities undertaken (including the facilities and services provided) to enable the landing and take-off of aircraft; and includes:-

- (a) The provision of any one or more of the following:
 - (i) Airfields, runways, taxiways, and parking aprons for aircraft
 - (ii) Facilities and services for air traffic and parking apron control
 - (iii) Airfield and associated lighting
 - (iv) Services to maintain and repair airfields, runways, taxiways, and parking aprons for aircraft
 - (v) Rescue, fire, safety, and environmental hazard control services
 - (vi) Airfield supervisory and security services.
- (b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

2. Aircraft and Freight Activities

Aircraft and freight activities means the activities undertaken (including the facilities and services provided) to enable, with a security area or areas of the relevant airport, the servicing and maintenance of aircraft and the handling of freight transported, or to be transported, by aircraft; and includes:-

- (a) The provision within a security area or areas of the relevant airport, of any one or more of the following:
 - (i) Hangars
 - (ii) Facilities and services for the refuelling of aircraft, flight catering, and waste disposal
 - (iii) Facilities and services for the storing of freight
 - (iv) Security, customs, and quarantine services for the freight.
- (b) The holding of any facilities and assets (including land) acquired or held to provide aircraft and freight activities in the future (whether or not used for any other purpose in the meantime).

3. Specified Passenger Terminal Activities

Specified passenger terminal activities means the activities undertaken (including the facilities and services provided) in relation to aircraft passengers while those passengers are in a security area or areas of the relevant airport; and includes:-

- (a) The provision, within a security area or security areas of the relevant airport, of any one or more of the following:
 - (i) Passenger seating areas, thoroughfares and airbridges

- (ii) Flight information and public address systems
- (iii) Facilities and services for the operation of customs, immigration, and quarantine checks and control
- (iv) Facilities for the collection of duty-free items
- (v) Facilities and services for the operation of security and Police services.
- (b) Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check-in of aircraft passengers, including services for baggage handling.
- (c) The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime; - but does not include the provision of any space for retail activities.

	Airfield Activities	Aircraft and Freight Activities	Specified Passenger Terminal Activities	TOTAL
	\$000	\$000	\$000	\$000
Revenue				
Airport Landing and Terminal Charges	12,985		2,519	15,504
Check in Counter Rental Charges			318	318
Airport Development Charge			3,698	3,698
Rental Lease and Concessions	256	531	1,537	2,324
Other Revenue	3	184		187
Total Revenue	13,244	715	8,072	22,031
Operating Expenses				
Employee Remuneration and Benefits	2,427	41	1,342	3,810
Repairs and Maintenance	778	72	354	1,204
Administration	75	4	57	136
Other Operating Expenses	1,283	157	1,774	3,214
Total Operating Expenses	4,563	274	3,527	8,364
Earnings before Interest, Tax and Depreciation				
Depreciation	1,989	61	3,575	5,625
Interest and Financing Costs	3,342	231	3,477	7,050
Taxation	1,064	52	(2,105)	(989)
Surplus after Tax				
	2,286	97	(402)	1,981
Current Assets				
Current Assets	2,731	188	2,840	5,759
Non-Current Assets				
Non-Current Assets	96,388	6,653	100,252	203,293
Total Assets				
	99,119	6,841	103,092	209,052

ADDITIONAL INFORMATION REQUIRED BY THE DISCLOSURE REGULATIONS

1 CHARGES FOR IDENTIFIED AIRPORT ACTIVITIES

Charges for the Year Ended 31 March 2000

	Charges Applying for Period (excluding GST):	
Airport Activity	1/4/99 to 30/6/99	1/7/99 to 31/3/00
Landing and Apron charges for aircraft with Maximum Certified Take Off Weight >30 tonnes	\$12.13 per tonne	\$12.13 per tonne
Landing and Apron charges for aircraft with Maximum Certified Take Off Weight >2 and less than 30 tonnes	\$6.17 per tonne	\$6.17 per tonne
Landing and Apron charges for aircraft with Maximum Certified Take Off Weight < 2 tonnes	\$12.50 per landing (with minimum of \$25 per month)	\$12.50 per landing (with minimum of \$25 per month)
Domestic Terminal Charge	38c per seat	39c per seat
International Terminal Charge	\$4.61 per seat	\$5.45 per seat

Methodology Overview

The Airport Authorities Act 1966 and subsequent amendments require airport companies to consult with airlines prior to setting charges payable by the airlines for identified airport activities. Extensive consultations occurred between Wellington International Airport Limited and the airlines during 1996 and 1997. At the completion of the consultation process the parties agreed to implement a deed relating to airport charges and services for the five year period ending on 30 June 2002.

The deed established charges for identified activities that were applied for the year ended 30 June 1998 and provides a review mechanism for charges to be altered during the remaining four years of the deed. The review mechanism specifies differing charge levels that are to be applied for each identified activity where the volume of business in the previous year, to 30 June, varies from the agreed 1997 benchmarks in set percentage bands.

The current deed requires consultations for the period following the deed to commence on 1 July 2001. The charging structure and level of charges will be reviewed during these consultations.

Cost Categories and Allocations

Wellington International Airport Limited maintains a comprehensive financial accounting system. As expenses are incurred they are directly allocated to a cost centre in the financial ledger that best represents the area of the company that received the benefit of the expense. Separate cost centres are maintained for each operational area of the company and to record costs for the main components of the company's asset portfolio.

For example costs required to maintain the airfield (runways, taxiways and apron) are recorded in a separate cost centre.

All costs directly associated with a cost centre are recorded in the ledger under that cost centre heading. The nature of the expenses contained in the main cost centre classifications are as follows:

	Examples of Cost Centres			
	Airfield	Aircraft and Freight	Specified Passenger Terminal	Corporate
Type of Expense Included in Cost Centre				
Human Resources	Yes	No	Yes	Yes
Repairs and Maintenance	Yes	Yes	Yes	Yes
Property rates, insurance and compliance costs	No	Yes	No	No
Administration Expenses	Yes	No	Yes	Yes
Other Operating Costs	Yes	No	Yes	Yes
Depreciation	Yes	Yes	Yes	Yes

Allocation of Costs

The majority of costs are allocated directly to activities, through cost centres, as detailed above. Other costs that cannot be specifically attributed to an airport or commercial activity are allocated to the activities by the most appropriate of four allocation bases. These are:

- Allocation on basis of proportion of assets.
- Allocation on basis of number of staff.
- Allocated on basis of time spent by staff.
- Allocation on basis of proportion of total expenses.

The expenses to be allocated traditionally fall into three main categories.

- The costs of operating the corporate office including management and finance staffing costs together with the administration costs required to performed the corporate management and finance functions. These costs are allocated to all airport and commercial activities.
- Operational costs incurred for the performance or management of more than one identified airport activity. For example, the costs for the Terminal Services Manager would be allocated in part to all three of the identified airport activities.
- Other non-operational costs such as interest and financing costs.

2 PASSENGER CHARGES

The only charge directly levied to passengers is the Airport Development Charge. This is a charge which is payable by departing international passengers. The charge was \$25 per adult and \$10 per child over two years of age during the year ended 31 March 2000.

This charge is levied on international passengers to provide a contribution to the cost of providing common areas in the terminal utilised by travellers. The quantum of the charge is the company's estimate of the costs incurred to maintain the facilities available in the terminal. \$5 per traveller is paid to the Crown for the provision of aviation security and civil aviation services. The net amount per passenger received by the company, excluding GST, is \$17.78 per adult and \$4.44 per child.

The total revenue collected by the company from this charge was \$3.7 million during the year. As the basis for the establishment of the charge is to obtain a contribution from travellers for the cost of common areas in the terminal, the revenue received was allocated to the specified passenger terminal activity.

3 ALLOCATION OF ASSETS

A detailed fixed asset register is maintained by the company. Each individual asset is allocated to a specified airport or commercial activity based on the location of an asset or the purpose for which a specific asset was purchased. Examples are:

- The floor area of the new terminal facility has been broken down and recorded as several hundred individual assets in the fixed asset register. Each individual floor area has been assigned a location code and a business activity code that is derived from the use of the location.
- Assets purchased for use by the Airport Fire Service are coded to airfield activities.

Where fixed assets are used for joint activities the value of these assets is allocated to the activities on the basis of portion of asset value specifically allocated to each activity.

Current assets have been allocated on the following basis:

- Where possible specific assets have been allocated to the company's total aeronautical activity. For example a debt owed by an airline for aeronautical charges would be allocated to the total aeronautical activity.
- Where specific allocation is not possible the assets have been allocated on the basis of the total aeronautical activity's share of total fixed assets.

4 WEIGHTED AVERAGE COST OF CAPITAL (WACC)

The Company estimates that as at 31 March 2000 its target WACC in respect of its specialised aeronautical assets is between 9.5%pa and 11.5%pa. nominal after tax. This range is based on the following variables.

Asset beta in the range of 0.45 to 0.60.

Risk Free Rate, 7.3%pa.

Projected Rate of Inflation, 1.6%pa.

Market Risk Premium of, 9.0%pa.

WIAL Debt Premium of 1.5%pa. based on current gearing parameters.

The return on specialised aeronautical assets actually achieved for the year ended 31 March 2000 was 3.2%. This is the profit earned by the airport company after depreciation and tax but before financing costs.

The return on assets for the year to 31 March 2000 was determined as follows:

	\$000
Surplus before Taxation	992
Add Interest and Financing Costs	7,050
Surplus Before Taxation and Interest and Financing Costs	8,042
Taxation (adjusted for tax on interest and financing costs)	1,333
Surplus after Tax (not including interest and financing costs)	6,709
Total Assets at 31 March 2000	209,052
Return on Assets Before Tax and Interest and Financing Costs	3.85%
Return on Assets after Tax	3.21%

5 STATISTICAL INFORMATION

Passengers

	Domestic	International
No of Arriving Passengers	1,580,969	220,585
No of Passengers Departing	1,587,429	223,938
Total Number of Passengers	3,168,398	444,523

International Landings > 30 tonne Maximum Certified Take off Weight

	Number of	Landings	Landed Seats
B767		201	46,310
B737		2,214	255,458
TOTAL		2,415	301,768

Domestic Landings > 30 tonne Maximum Certified Take off Weight

	Number of	Landings	Landed Seats
B737		9,138	1,033,503
BAe146		5,937	528,393
TOTAL		15,075	1,561,896

Domestic Landings > 3 and < 30 tonne Maximum Certified Take off Weight

	Number of	Landings	Landed Seats
ATR72		2,245	148,170
Dash8		1,713	69,250
Saab		8,606	283,998
SW4		1,895	34,110
SW3		6,029	108,522
JS32		7,142	128,556
E110		8,251	123,765
C208		1,972	19,720
Other		1,778	12,829
TOTAL		39,631	928,920

Other Landings

	Landings
B727	135
C130	77
BE20	83
Various (predominantly private aircraft)	7,423
TOTAL	7,718

Interruptions to Services (from 1 October 1999 as required by paragraph 8(2) of the Schedule to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999

	Planned Interruptions		Unplanned Interruptions	
	Number	Total Duration	Number	Total Duration
Runway Services	-	-	-	-
Stand Position Services	2	18 hrs 00 mins	-	-
Airbridge Services	11	72 hrs 30 mins	5	8 hrs 45 mins
Baggage Handling Services (at point of passenger check in)	-	-	7	31 hrs 45 mins

Average Number of Full-Time Equivalent Employees for Year (including allocation of shared staff)

	No of Staff
Airfield Activities	42.7
Aircraft and freight activities	0.5
Specified passenger terminal activities	31.0
TOTAL	74.2