Queenstown Airport Corporation Limited

Annual Report for Financial Year Ended 30 June 2019

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Directory

BOARD OF DIRECTORS	Prudence M Flacks Grant R Lilly Michael P Stiassny Norman J Thompson Mark R Thomson Adrienne F Young-Cooper
CHIEF EXECUTIVE OFFICER	R Colin Keel
AUDITORS	B E Tomkins of Deloitte Limited (on behalf of the Auditor General) PO Box 1245 Dunedin
BANKERS	BNZ Queenstown Store 11 Rees Street Queenstown Westpac Terrace Junction 1092 Frankton Road Queenstown ASB ASB House, Level 2 166 Cashel Street Christchurch Bank of China Level 17 205 Queen Street Auckland

Annual Report

Your Directors have pleasure in submitting the Annual Report together with the financial statements of the Company for the year ended 30 June 2019.

1. Financial Statements

The financial statements of the Company for the year ended 30 June 2019 follow this report.

2. Principal Activities of the Company

The principal activity of the Company during the year was airport operator.

On 1 April 2018, the Company was granted a 100-year lease for the management and development of Wanaka Airport. The financial performance of the airport since lease commencement is included in the Company's financials.

There have been no material changes in the business that the Company is engaged in, during the period, which is material to an understanding of the Company's business, except where noted above.

Details of the year under review and future prospects are included in the Chair and Chief Executive's Report.

3. Board of Directors

The Directors of the Company during the year under review were:

Prudence M Flacks
Grant R Lilly
Michael P Stiassny
Norman J Thompson
Mark R Thomson
Adrienne F Young-Cooper

4. Results for the Year Ended 30 June 2019

Profit for the year was $16,590,000 compared with a profit of $14,941,000 in the previous year.

The directors resolved on 20 August 2019 that the final dividend for the year ended 30 June 2019 be $7,295,000 resulting in a full year dividend of $8,295,000 (2018: $7,186,000).

An interim dividend of $1,000,000 was paid to the shareholders on 15th February 2019, leaving a final dividend of $7,295,000 to be paid on 21 August 2019, to be distributed to the shareholders as follows:

Queenstown Lakes District Council	$5,472,000
Auckland Airport Holdings (No 2) Limited	$1,823,000

Retained Earnings for the year ended 30 June 2019

	$ 000's
Balance at the beginning of the year	33,674
Profit for the year	16,590
Dividends paid	(7,186)
Retained earnings to be carried forward	**43,078**

5. Directors Interests

The Company entered into the following transactions during the year with organisations which the directors had an interest in:

- Auckland International Airport Limited has provided Rescue Fire Training to the QAC operational staff, and other services based on the Strategic Alliance Agreement for which no consideration was paid. Mark Thomson is an executive of Auckland International Airport Limited.
- The Company has two facilities with Bank of New Zealand (BNZ), which are secured by a general security agreement over the Company's assets. To mitigate foreign exchange risk, the Company has entered into foreign exchange forward contracts with BNZ. Prudence Flacks is a director of BNZ.
- Go Rentals (Auckland) Limited, is a commercial transport operator. Grant Lilly is a director of Go Rentals (Auckland) Limited.

All of the transactions were provided on normal commercial terms.

6. Share Dealings

No director acquired or disposed of any interest in shares in the Company during the year.

7. Directors Remuneration

The following are particulars of director's remuneration authorised and received during the year.

	2019 $	2018 $
Prudence M Flacks (Chair appointed 27 November 2017)	61,000	36,252
John W Gilks (Chair retired 27 November 2017)	-	24,288
James W P Hadley (retired 27 November 2017)	-	18,333
Grant R Lilly	44,000	43,167
Michael P Stiassny	42,000	42,000
Norman J Thompson	44,000	44,000
Mark R Thomson	38,000	38,000
Adrienne F Young-Cooper	42,000	24,960
	271,000	**271,000**

Mark Thomson is nominated as a director of the Company by Auckland Airport under clause 15.1.2 of the Company constitution.

8. Remuneration of Employees

There were 22 employees (2018: 12) who received remuneration and other benefits in excess of $100,000 for the financial year as follows:

Bracket	2019 Number of Employees	2018 Number of Employees
$100,000 – $110,000	6	-
$110,000 – $120,000	4	2
$120,000 – $130,000	3	1
$130,000 – $140,000	1	-
$140,000 – $150,000	1	-
$150,000 – $160,000	1	3
$160,000 – $170,000	1	1
$180,000 – $190,000	-	1
$200,000 – $210,000	-	1
$220,000 – $230,000	2	1
$250,000 – $260,000	1	-
$280,000 – $290,000	1	1
$490,000 – $500,000	-	1
$540,000 – $550,000	1	-

9. Donations

The Company made donations totalling $7,753 during the year (2018: $12,788).

10. Use of Company Information

During the year the Board received no notices from directors of the Company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

11. Auditor

The Auditor General is the statutory auditor of the Company in accordance with the Public Audit Act 2001. The Auditor General has appointed Brett Tomkins of Deloitte Limited to undertake the audit on his behalf.

On Behalf of the Board

Chair

Director

Chair and Chief Executive's Report

It has been another busy year for Queenstown Airport Corporation (QAC) as we continue to deliver the high-quality infrastructure required to support the need for air services created by those who live in, work in and visit the Southern Lakes region.

Key objectives for the financial year ended 30 June 2019 (FY2019) included:

- Enhancing the health, safety and security of all people who work at or visit Queenstown and Wanaka airports
- Improving the efficiency of our operations and our service to customers
- Providing returns to our shareholders in accordance with our dividend policy
- Ensuring our activities reflect our commitment to social, environmental and economic sustainability
- Continuing our long-term planning to ensure we will be able to deliver the necessary airport infrastructure to align with the district spatial planning work being led by QLDC, in conjunction with Government.

Further details of our progress on key initiatives, and our financial and passenger performance, are set out below.

Financial Performance

QAC delivered a solid financial performance in the financial year ended 30 June 2019 with total income of $49.6 million, an increase of $3.9 million (9%) compared to last year. This was driven by an increase in scheduled airline passengers, and aeronautical and commercial revenue.

Total Operating Expenditure of $15.3 million increased by $1.2 million (9%), in-line with the percentage increase in total income.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by $2.7 million, or 9%, to $34.3 million. Reported Net Profit After Tax was $16.6 million, up by $1.6million compared to the same period last year.

The Company's continuing investment in airfield and terminal infrastructure resulted in an increase in the cost of depreciation and funding costs. New capital investment in this period included investment in the apron overlay, noise mitigation activities and ongoing terminal improvements as outlined.

As at 30 June 2019, the Company's financial position remains strong, with term debt totalling $62.7 million representing 22% of net assets. The equity ratio (total shareholders' funds to tangible assets) was 76.28% and interest coverage ratio (EBITDA/finance costs) is 11.7 times.

Dividends

QAC declared a total dividend of $8.2 million to its two shareholders Queenstown Lakes District Council (75.01%) and Auckland International Airport (24.99%) for the year ended 30 June 2019 in-line with the Company's dividend policy. For majority shareholder Queenstown Lakes District Council this is a dividend declared of $6.2 million, which equates to $237 per rateable property in the district.

Health, Safety and Security

The health, safety and security of our team, airport community, customers and contractors is our highest priority. We have an ongoing Zero Harm target and prioritise a safe aviation operating environment and a 'just culture'. We are pleased to report that QAC has not had an employee or contractor Lost Time Injury for more than four years. Incident reporting, which is a positive indicator of a strong safety culture has also increased during the last three years. Over the past 12 months a number of initiatives have been implemented or improved across the business to enhance safety and security awareness across the airport community. Highlights included:

- Installing new weather warning system to provide automated advice on wind and severe weather conditions
- Implementing a new apron code of conduct to enhance airside systems and processes
- Implementing contractor pre-qualification process to further improve contractor safety, performance and collaboration
- Introducing of a new compliance coordinator role to assist with the ongoing improvements in health, safety, security and aviation compliance
- Working with regulators and other airports on drone management initiatives
- Supporting Airport Safety Week across Queenstown and Wanaka airports, increasing the number of events held as well as welcoming staff from Invercargill Airport to join the programme
- Initiating monthly health, safety and security meetings with commercial operators at Wanaka Airport
- Launching Litmos, a new e-learning platform, to streamline and improve the efficiency of health, safety and security training and risk mitigation
- Installing additional CCTV cameras to improve security monitoring and enhance operational effectiveness
- Creating Queenstown Airport's first Security Week, a week of activities and workshops with a focus on keeping our staff and passengers safe.
- Implementing a range of initiatives to improve safety and security at Wanaka Airport.
- Launching an airport community safety and security leadership forum
- Improving critical risk frameworks and engaging our stakeholders in the process
- Implementing a computerised system for reporting and managing maintenance activities.

Passenger Performance

For the year ended 30 June 2019, passenger movements (arrivals and departures) were 2,321,347 – an 8% increase on the same period last year. While there was an increase year-on-year in passenger numbers, the demand for scheduled services to and from the region shows signs of moderating. This is something we are continuing to monitor to ensure our planning and forecasting is adjusted if needed.

Queenstown and Wanaka airports continued to see strong demand for general aviation services and activities, with flightseeing, engineering and associated businesses performing largely on-par with last year. The total number of general aviation movements across both airports was over 90,000.

- International passenger movements increased 10% to 655,950
- Domestic passenger movements increased 8% to 1,665,397
- Commercial general aviation operators at Queenstown Airport saw combined fixed wing and helicopter movements down 6% on the same period last year
- Private jet movements at Queenstown Airport decreased slightly to 486 annual movements
- General aviation movements (fixed wing and helicopter) at Wanaka Airport were 50,614, up 12% on last year.

Terminal Infrastructure

Several projects were delivered at Queenstown Airport to improve resilience and increase capacity within the current terminal footprint. This included technology and terminal improvements, as well as commencing work on the $20+ million 'Project Pathway' initiative, a comprehensive programme of terminal and related infrastructure works to cater for future demand in the short to medium term. Highlights included:

- Upgrading and expanding the border agency terminal and dog rest areas
- Creating a swing lounge to enable better use of space and resources and increase the capacity in the domestic departure lounge area
- Planning for the implementation of self-service check-in kiosks in the next financial year as well as foundation work to expand the baggage make-up unit.
- Increasing the area used by ground transport operators for customer pick-up/drop-off.

Operational Excellence

Ensuring a safe, efficient and friendly airport environment is a key area of focus for the Company and broader airport community. A number of important initiatives have been undertaken to help us achieve this goal. Highlights included:

- Completing the $7 million full apron overlay project, using a new low carbon asphalt, incorporating 1.5 million recycled glass bottles and 330,000 waste printer toner cartridges
- Upgrading the terminal ceiling and related services
- Ensuring compliance with current seismic building standards and runway seismic reviews
- Implementing a new customer wayfinding signage programme in terminal
- Creating a new dedicated role to manage the airport noise mitigation programme and continuing work on homes in the inner noise area.
- Working with general aviation operators to ensure compliance with our 'Fly Neighbourly' protocol.

Land Acquisition

On 1 March 2019, the Environment Court issued its decision approving QAC's acquisition under the Public Works Act of the land known as 'Lot 6'. This follows the earlier decisions of the Environment Court and High Court upholding the airport designation of the land under the Resource Management Act. QAC will progress the acquisition of Lot 6 to its final stage of valuation in the next financial year.

Customer Experience

As part of our goal to enhance the 'park to plane' journey for our customers, we have continued to invest in new and innovative product and retail offerings. Highlights included:

- Creating a dedicated manager role to focus on customer ground transport activities
- Providing a new 'grab and go' food and beverage offering in the domestic departure lounge
- Continuing to enhance the retail 'pop-up' offerings to provide greater seasonal variety
- Relocating the customer information desk improving the customer experience
- Implementing a new and innovative terminal advertising and information programme including new advertising infrastructure and local/national content.

Innovation and Technology

As a forward-thinking business, we continually look at ways to be innovative and use technology, in particular, to improve business efficiency, enhancing the experience for our airport community and customers and creating a memorable experience for everyone who visits Queenstown and Wanaka airports. Highlights included:

- Introducing online booking capability for the Park and Ride product offering to ensure a streamlined customer experience
- Launching the Company's first intranet, a cloud-based interface connecting team members with news, stories and updates from the Company and the industry in one central location
- Introducing new sensor technology to enhance the customer experience by measuring passenger queue times and flows at security processing, enabling the airport to dynamically resource staffing, as well as proactively communicate wait times to passengers
- Installed new FIDS screens throughout the terminal to improve visibility for customers and enable enhanced advertising facilities.

People and Culture

There are more than 60 business and 700 people who work at Queenstown Airport, with nearly 300 people working across approximately 20 businesses at Wanaka Airport. The airport communities represent a broad cross-section of people, who take an active part in their communities across the region. Our collective success relies on trust, close collaboration and a 'one team' approach. Over the past 12 months, we have grown the capability of the QAC team through new leadership opportunities, online development initiatives, an enhanced employee health and well-being scheme and a commitment to paying the national living wage. We have also led the way by supporting diversity in all forms to foster an inclusive culture and flexible working arrangements to promote work-life balance and well-being.

Sustainability

The ongoing support of the communities we serve is underpinned by our desire to respect our unique environment, embrace and showcase our cultural heritage and work together to deliver balanced outcomes for our team, community and shareholders. Our sustainability journey continued over the last year. Highlights included:

- Starting work on a Company sustainability framework to benchmark against others and establish baseline targets to monitor improvement over time
- Actively supporting the national Tiaki Promise to protect our environment and encourage sustainable tourism practices in our region
- Committing to the Tourism Industry Aotearoa 'Tourism Sustainability Framework'
- Hosting Christmas Community Days at Queenstown Airport and raising over $2,000 for local charity 'Let's Eat'
- Incorporating environmentally sustainable practices of recycling and emissions reduction into the apron overlay project at Queenstown Airport
- Hosting approximately 257 students around the region as part of our education programme
- Signing up to the Pride Pledge as part of NZ Pride Week to support and encourage community diversity
- Providing support and assistance of various events, including the Real Journeys Queenstown Winter Festival, Winter Games, Winter Pride, Festival of Colour, The New Zealand Mountain Film Festival and the Air New Zealand Queenstown Marathon as well as supporting various other community events and not-for-profit organisations
- Continuing active participation in key community initiatives, including the Regional Transport Governance Group, Frankton and Wanaka Town Centre Plans, Vision 2050 and Shaping Our Future.

Forward Planning

Queenstown Lakes District Council (QLDC) is responsible for providing good quality infrastructure to meet the current and future needs of the communities across the district. QAC's primary role is to support QLDC by providing the infrastructure required to facilitate air services to the region. Infrastructure for air services is as important as other critical infrastructure including roading, telecommunications and piping for essential services.

The district spatial planning process currently being undertaken by QLDC, in conjunction with Government, will provide the overarching framework for planning for growth in the region. QAC's long-term planning work must support and align with the district spatial plan to ensure QAC delivers airport infrastructure to meet the current and future needs of the Southern Lakes region.

QAC welcomes the recent announcement by QLDC that it will undertake independent economic and social impact assessments of the impact (positive and negative) of future airport development on the district and its communities. This work will further inform our long-term planning, and the impact, if any, on the Company's future trading performance is at this time unclear.

We recognise that our long-term planning work cannot be done in isolation and requires close and constructive engagement with a broad range of stakeholders, including the community, business sector, airport communities, staff, shareholders, airline partners, government, and iwi. The feedback provided by this diverse stakeholder group will be vital in helping us shape our long-term planning.

Importantly, we want to ensure that we have a strong mandate to go forward with the future development of Queenstown and Wanaka airports.

Prudence Flacks
Chair
20 August 2019

Colin Keel
Chief Executive

Directors' Responsibility Statement

The Directors of Queenstown Airport Corporation Limited are pleased to present the Annual Report and Financial Statements for Queenstown Airport Corporation Limited for the year ended 30 June 2019.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice which give a true and fair view of the financial position of the Company as at 30 June 2019 and the results of operations and cash flows for the year ended on that date.

The Directors consider the Financial Statements of the Company have been prepared using accounting policies that have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed, or otherwise disclosed.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the Financial Statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the Financial Statements.

This Annual Report is dated 20 August 2019 and is signed in accordance with a resolution of the Directors.

On Behalf of the Board

Prudence Flacks

Chair

Director

Income Statement

For the financial year ended 30 June 2019

	Notes	2019 $ 000's	2018 $ 000's
Income			
Revenue from contracts with customers	2(a)	35,524	32,343
Rental and other revenue	2(a)	14,077	13,297
Other gains		34	28
Total income		**49,635**	**45,668**
Expenditure			
Operating expenses	2(b)	8,941	8,034
Net impairment losses on financial assets		40	53
Employee benefits expense	2(c)	6,314	5,954
Total operating expenditure		**15,295**	**14,041**
Operating earnings before interest, taxation, depreciation and amortisation		**34,340**	**31,627**
Depreciation	6	7,994	7,366
Amortisation	7	325	656
Loss on revaluation of assets		-	187
Operating earnings before interest and taxation		**26,021**	**23,419**
Finance costs	3	2,943	2,473
Profit before income tax		**23,078**	**20,946**
Income tax expense	4	6,488	6,005
Profit for the year		**16,590**	**14,941**

The notes and accounting policies on pages 16 to 41 form part of and are to be read in conjunction with these financial statements.

Statement of Comprehensive Income

For the financial year ended 30 June 2019

	Notes	2019 $ 000's	2018 $ 000's
Profit for the year		**16,590**	**14,941**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Gain/(loss) on cash flow hedging taken to reserves	11(c)	(693)	(399)
Income tax relating to gain/(loss) on cash flow hedging	11(c)	194	112
Realised gains/(losses) transferred to the income statement	11(c)	318	306
Items that may not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment	11(b)	-	33,059
Income tax relating to gain on revaluation	11(b)	-	(905)
Other comprehensive income for the year net of tax		**(181)**	**32,173**
Total comprehensive income for the year, net of taxation		**16,409**	**47,114**

The notes and accounting policies on pages 16 to 41 form part of and are to be read in conjunction with these financial statements.

Statement of Financial Position

As at 30 June 2019

	Notes	2019 $ 000's	2018 $ 000's
Current assets			
Cash and cash equivalents	15(a)	909	1,897
Trade and other receivables	5	3,860	3,745
Prepayments		351	489
Total current assets		**5,120**	**6,131**
Non-current assets			
Property, plant and equipment	6	361,450	346,883
Intangible assets	7	4,514	3,154
Total non-current assets		**365,964**	**350,037**
Total assets		**371,084**	**356,168**
Current liabilities			
Trade and other payables	9(e)	4,214	3,345
Employee entitlements	8	1,164	1,036
Derivatives	9(g)	252	-
Borrowings (secured)	9(f)	20,000	-
Current tax payable		3,370	4,398
Total current liabilities		**29,000**	**8,779**
Non-current liabilities			
Borrowings (secured)	9(f)	42,700	57,000
Derivatives	9(g)	577	136
Deferred tax liabilities	4	14,674	15,343
Total non-current liabilities		**57,951**	**72,479**
Total liabilities		**86,951**	**81,258**
Net assets		**284,133**	**274,910**
Equity			
Share capital	10	37,657	37,657
Retained earnings	11(a)	43,078	33,674
Asset revaluation reserve	11(b)	204,376	204,376
Cash flow hedge reserve	11(c)	(978)	(797)
Total equity		**284,133**	**274,910**

The notes and accounting policies on pages 16 to 41 form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2019

	Ordinary shares $ 000's	Asset revaluation reserve $ 000's	Cash flow hedge reserve $ 000's	Retained earnings $ 000's	Total $ 000's
At 1 July 2018	**37,657**	**204,376**	**(797)**	**33,674**	**274,910**
Profit for the period	-	-	-	16,590	16,590
Other comprehensive income	-	-	(181)	-	(181)
Total comprehensive income for the period	**-**	**-**	**(181)**	16,590	**16,409**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(7,186)	(7,186)
At 30 June 2019	**37,657**	**204,376**	**(978)**	**43,078**	**284,133**

	Ordinary shares $ 000's	Asset revaluation reserve $ 000's	Cash flow hedge reserve $ 000's	Retained earnings $ 000's	Total $ 000's
At 1 July 2017	**37,657**	**172,222**	**(816)**	**25,902**	**234,965**
Profit for the period	-	-	-	14,941	14,941
Other comprehensive income	-	32,154	19	-	32,173
Total comprehensive income for the period	**-**	**32,154**	**19**	**14,941**	**47,114**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(7,169)	(7,169)
At 30 June 2018	**37,657**	**204,376**	**(797)**	**33,674**	**274,910**

The notes and accounting policies on pages 16 to 41 form part of and are to be read in conjunction with these financial statements.

Cash Flow Statement

For the financial year ended 30 June 2019

	Notes	2019 $ 000's	2018 $ 000's
Cash flows from operating activities			
Receipts from customers		49,518	44,818
Interest received		22	18
Payments to suppliers and employees		(15,809)	(14,027)
Interest paid		(2,910)	(1,785)
Income tax paid		(8,152)	(4,474)
Net cash inflow from operating activities	15(c)	**22,669**	**24,550**
Cash flows from investing activities			
Purchase of property, plant and equipment		(20,522)	(25,590)
Purchase of intangible assets		(1,649)	(809)
Net cash outflow from investing activities		**(22,171)**	**(26,399)**
Cash flows from financing activities			
Net proceeds from borrowings/(repayments)		5,700	10,000
Dividends paid to equity holders of the parent		(7,186)	(7,169)
Net cash inflow/(outflow) from financing activities		**(1,486)**	**2,831**
Net increase/(decrease) in cash and cash equivalents		**(988)**	**982**
Cash and cash equivalents at the beginning of the financial year		**1,897**	**915**
Cash and cash equivalents at the end of the financial year	15(a)	**909**	**1,897**

The notes and accounting policies on pages 16 to 41 form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Queenstown Airport Corporation Limited (the Company or Queenstown Airport) is a company established under the Airport Authorities Act 1966 and registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013.

The Company is a profit orientated company incorporated and domiciled in New Zealand. The address of its registered office is Level 1, Terminal Building, Queenstown Airport, Sir Henry Wigley Drive, Queenstown, New Zealand.

The Company provides airport facilities, supporting infrastructure and aeronautical services in Queenstown and Wanaka New Zealand. The Company earns revenue from aeronautical activities, retail and rental leases, car parking facilities and other charges and rents associated with operating an airport.

These financial statements were authorised for issue in accordance with a resolution of the directors on 20 August 2019.

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 2013, the Companies Act 1993 and the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, foreign currency bank accounts and certain items of property, plant and equipment cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in New Zealand dollars. New Zealand dollars are the Company's functional currency.

The financial statements are presented rounded to the nearest one thousand dollars. Due to rounding, numbers presented may not add up precisely to totals provided.

(b) Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounted practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

In the financial year ended 30 June 2018, the Company met the criteria of a large for-profit public sector entity based on reaching the annual expenses threshold. These financial statements comply with Tier 1 reporting obligations.

(c) New Accounting Standards and Interpretations

The accounting policies set out in these financial statements are consistent for all periods presented except as identified below.

New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2019.

NZ IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. NZ IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. The accounting requirements for lessors are substantially the same as those in NZ IAS 17. The Company reviewed leases where the company is the lessor and has concluded that these remain as operating leases under NZ IFRS 16. The Company also reviewed leases where the company is the lessee and has concluded that there is no material impact on the financial statements. The Company will apply NZ IFRS 16 from 1 July 2019.

(d) Revenue Recognition

(i) Revenue arising from contracts with customers

In the current year, the Company adopted NZ IFRS 15 Revenue from Contracts with Customers. NZ IFRS 15 introduces a 5-step approach to revenue recognition with far more prescriptive guidance to deal with specific scenarios. Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied NZ IFRS 15 in accordance with modified retrospective approach.

The Company's accounting policies for revenue categories are disclosed below. The adoption of NZ IFRS 15 has not had a significant impact on the financial position or financial performance of the Company. There is no quantitative impact on financial statement line items as a result of the adoption of NZ IFRS 15.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when a customer obtains control of the service. The Company disaggregates revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. When selecting the type of categories to use to disaggregate revenue, the company considers how information about the Company's revenue has been presented for information regularly reviewed by the board and management. The Company provides services relating to the aviation sector. The following categories of revenue have been identified – scheduled airlines and general aviation, parking, recoveries and commercial vehicles access.

(ia) Scheduled Airlines and General Aviation

Revenue arises at the point of time when the associated aircraft takes off or lands. The Company applied a practical expedient under NZ IFRS 15 and recognised revenue using a portfolio approach as the revenue is based on one standard contract Aeronautical Conditions of Use. Payment is due monthly (see note 5 for the payment terms).

(ib) Parking

Car park revenue is recognised in accordance with the hourly, daily or weekly parking charges over the time as the service is being transferred for the period when the vehicles use the carparks. From practical reasons the revenue is recorded at the time the car leaves the car park. Aircraft parking is recorded in accordance with the daily parking charges at the time the aircraft leaves the airport. The Company does not consider accrued park charges at a period end to be material based on regular assessment and any amounts are not adjusted for. Payment is due on departure from the carpark.

The Company applied a practical expedient under NZ IFRS 15 and recognised revenue using a portfolio approach. The car park revenue is based on General terms for using the carpark, the aircraft parking is based on the standard contract Aeronautical Conditions of Use. Payment is due on departure from the airport.

(ic) Recoveries

Revenue is recognised over the time as the lessees are continuously supplied with common areas services, utilities and amenities. The contract price is appropriately allocated to Performance obligations using the input method – revenue is recognised on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation, i.e. resources consumed, relative to the total expected inputs to the satisfaction of that performance obligation.

Deloitte.
for
Identification

The Company applied a practical expedient under NZ IFRS 15 and recognised revenue using a portfolio approach. The Recoveries are specified as a standard paragraph in the Deed of Lease concluded with each Lessee (see below d(ii) (Rental Revenue)). Payment is due monthly (see Note 5 for the payment terms),

(id) Commercial Vehicles Access

Revenue is recognised at point of time when the vehicles entry to the transport area through the barrier. The Company applied a practical expedient under NZ IFRS 15 and recognised revenue using a portfolio approach as the Commercial Vehicles Access is based on standard agreement Licence to Use Transport Areas at Queenstown Airport. Payment is due upfront.

Portfolio Approach

The Company applied a practical expedient under NZ IFRS 15 and recognised revenue using a portfolio approach for all revenue categories (refer to Note 2(a)), as the Company reasonably expects that the effects on the financial statements of applying the standard to the portfolios would not differ materially from applying the standard to the individual contracts. This conclusion was based on a detailed portfolio assessment, taking into consideration contract deliverables, duration, terms and conditions of the contract, variable consideration, characteristics of the customers, volume of contracts that are covered by the portfolio, timing of transfer of goods and services, and variations to the portfolio.

The Airport recognises rental revenue in accordance with NZ IAS 17 as described below.

(ii) Rental Revenue

Rental revenue on leases where the Company is the lessor is recognised as revenue on a straight-line basis over the term of the leases under NZ IAS 17. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental revenue. Contingent rents, such as turnover based rents, are recognised as revenue in the period in which they are earned.

(iii) Interest Income

Interest income is recognised as interest accrues using the effective interest method.

(iv) Vested assets

In the previous year the Company received transfer of QLDC's interest of the Park and Ride carpark construction. The Company assessed whether the transferred item meets the definition of an asset, and recognised the transferred asset as property, plant and equipment. At initial recognition, its cost was measured at fair value, and corresponding amount was recognised as Other Revenue as the Company has no future performance obligations.

(e) Leases - company as a Lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease.

Operating lease payments are recognised as an operating expense in the Income Statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability

(f) Employee Benefits

Employee benefits including salary and wages, Kiwisaver and leave entitlements are expensed as the related service is provided. A liability is recognised for benefits accruing to employees for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

<u>(i) Current Tax</u>

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

<u>(ii) Deferred Tax</u>

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Income taxes relating to items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity and not in the income statement. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on tax rates that have been enacted or substantively enacted by reporting date.

<u>(iii) Goods and Services Tax (GST)</u>

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. Commitments and contingencies are disclosed net of the amount of GST.

(h) Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment includes all costs directly attributable to bringing the item to working condition for its intended use.

Expenditure on an asset will be recognised as an asset if it is probable that future economic benefits will flow to the entity, and if the cost of the asset can be measured reliably. This principle applies for both initial and subsequent expenditure.

Vehicles, plant and equipment, rescue fire equipment and furniture are carried at cost less accumulated depreciation and impairment losses.

Land, land improvements, buildings, roading and car parking, and runways are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Land, land improvements, buildings, roading and car parking, and runways acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Vested assets from majority shareholder is initially measured at fair value at the date on which control is obtained.

Revaluations

Revaluation increments are recognised in the property, plant and equipment revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the profit for the year, in which case the increase is recognised in profit for the year.

Revaluation decreases are recognised in the profit for the year, except to the extent that they offset a previous revaluation increase for the same asset, in which case the decrease is recognised directly in the property, plant and equipment revaluation reserve via other comprehensive income.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Fair Value

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 fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. For further discussion on fair values refer to note 6.

Depreciation

Depreciation is calculated on a diminishing value (DV) basis for all assets except buildings (noise mitigation), runways, taxiways and aprons so as to write-off the carrying value cost of each asset to its estimated residual value over its estimated useful life. Runways, taxiways and aprons are depreciated on a straight line (SL) basis.

Expenditure incurred to maintain these assets at full operating capability is charged to the profit for the year in the year incurred.

The estimated useful lives of the major asset classes have been estimated as follows:

	Rate (%)	**Method**
Right-of-use asset	1%	SL
Buildings	2.5-33.0%	DV or SL
Runways, Taxiways & Aprons	1.0-20.0%	SL
Plant & Equipment	1.0-67%	DV

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit for the year in the period the asset is derecognised.

Capitalisation of costs

Labour and funding costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the asset as they are incurred. Borrowing costs are capitalised at the weighted average rate of the borrowing costs of the Company during the period the qualifying asset is being brought to intended use. All other labour and funding costs are recognised in the Income Statement in the period in which they are incurred.

Costs associated with the strategic and master planning work have been assessed and any costs of a capital nature have been disclosed in the Statement of Financial Position at year end.

(i) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at costs. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is charged on a straight line basis over the assessed estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for prospectively.

Assets arising from contracts with customers under NZ IFRS 15

The Company recognises the incremental costs of obtaining a contract with a customer as an asset where the costs are expected to be recovered. The Company applies the practical expedient available in NZ IFRS 15 and recognised the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset would be one year or less.

The costs incurred in fulfilling a contract with a customer which are not within the scope of another Standard are recognised as an asset, only if the costs relate directly to a contract, the costs generate or enhance resources of the Company and the costs are expected to be recovered.

(j) Impairment of Non-Financial Assets

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use for cash-generating assets, 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit for the year immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit for the year immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Financial Instruments

The Company adopted *NZ IFRS 9 Financial Instruments* for the annual period beginning on 1 July 2018. The Company reviewed the measurement and recognition method of the current financial assets and financial liabilities and assessed that there is no material quantitative impact on the financial statements. A hedge effectiveness documentation has been prepared for the cashflow hedges at 30 June 2019, and the hedge relationship has been assessed as effective under NZ IFRS 9.

NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of NZ IFRS 9 Financial Instruments from 1 July 2018 has not resulted in any adjustments to the amounts recognised in the financial statements.

The Company's financial assets comprise cash and cash equivalents and trade receivables. The Company's financial liabilities comprise accounts payable and accruals, borrowings, provisions, other liabilities (classified as financial liabilities at amortised cost) and derivatives (designated as a hedge).

Financial assets at amortised costs

The Company classifies its financial assets as at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

(i) *Cash* - Cash in the statement of financial position and the cash flow statement comprises cash on hand, on-call deposits held with banks and short-term highly liquid investments.

(ii) *Trade receivables* - Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Financial liabilities at amortised costs

(iii) *Trade and other payables*- Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Trade and other payables are not interest-bearing.

(iv) *Borrowings* - For all borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Financial liabilities at fair value

Hedging derivatives - The Company uses derivative financial instruments to hedge its risks associated with interest rates and foreign currency. Derivative financial instruments are recognised at fair value. Cash flow hedges are currently applied to future interest cash flows on variable rate loans and on variable foreign exchange rates. The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income and accumulated as a separate component of equity in the cash flow hedge reserve, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

The Company applied Hypothetical Hedge/Matched Terms method to measure effectiveness of the hedge relationship, by comparison of hedging instrument to hypothetical derivative (in which the fair value is determined by the credit-risk free benchmark rate).

Fair value hierarchy

The Company made judgements and estimates in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

Fair value levels:

Level 1 - The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2 - The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3 (e.g. unlisted equity securities).

Changes in level 2 and 3 fair values are analysed at the end of each reporting period. The Company's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of the reporting period.

The Company's exposure to various risks associated with the financial instruments is discussed in Note 9. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned in Note 9.

(l) Foreign Currencies

The financial statements are presented in New Zealand dollars, being the Company's functional currency. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to note 9(a) and 9(g)).

(m) Changes in Accounting estimates, accounting policies and disclosures

The Company accounts for the changes in accounting estimates prospectively in the financial statements. Therefore, carrying amounts of assets and liabilities and any associated expense and gains are adjusted in the period of change in estimate. There were no changes in the accounting estimates in the current year.

New and amended standards and interpretations

The Company applied for the first time standards, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. The new standards and amendments did not have a material impact on the annual financial statements of the Company.

For discussion on NZ IFRS 15 refer to (d)(i), for discussion on NZ IFRS 9 refer to (k).

2. Surplus from Operations

(a) Revenue from contracts with customers

The Company derives revenue from the transfer of services over time and at a point in time through four major revenue categories.

		2019 $ 000's	2018 $ 000's
Revenue Category	*Timing of revenue recognition*		
Scheduled Airlines and General Aviation	At Point of Time	29,088	26,608
Parking	Over Time	3,503	3,140
Recoveries	Over Time	878	698
Commercial Vehicles Access	At Point of Time	2,055	1,897
Total revenue from contracts with customers		**35,524**	**32,343**
Lease rental revenue		13,838	12,413
Other revenue		239	884
Total rental and other revenue		**14,077**	**13,297**
Total Revenue		**49,601**	**45,640**

Other revenue for the year ending 30 June 2018 includes a $568,000 contribution from QLDC for the Park and Ride carpark.

(b) Operating Expenses

	2019 $ 000's	2018 $ 000's
Professional Services	2,330	2,171
Repairs & Maintenance	1,067	988
Utilities	1,343	1,223
Administration and Other	4,201	3,652
Total Operating Expenses	**8,941**	**8,034**

Operating expenses include the following:

Audit fees - disclosure financial statements	26	26
Audit fees - financial statement audit	65	63
Other non-audit fees	12	-

The other non-audit services provided by Deloitte relate to a review of the holiday pay calculation.

(c) Employee Benefits Expense

Salaries and wages	6,043	5,683
Directors fees	271	271
Total Employee Benefits Expense	**6,314**	**5,954**

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The Company does not provide any post-employment benefits. The Company makes contributions to a defined contribution superannuation scheme. The Company has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay employee benefits.

3. Finance Cost

	2019 $ 000's	2018 $ 000's
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,809	2,067
Fair value gain/loss on interest rate swaps designated as cash flow hedges – transfer from Other Comprehensive Income	441	424
Less: Interest capitalised to projects	(307)	(18)
Total Finance Costs	**2,943**	**2,473**

Interest was capitalised at a weighted average cost of borrowings of 4.51% (2018: 3.83%). Finance income from financial assets held for cash management purposes was immaterial and it was classified as Revenue in the Statement of Financial Position.

4. Income Taxes

(a) Income Tax Recognised in the Income Statement

	2019 $ 000's	2018 $ 000's
Tax expense/(income) comprises:		
Current tax expense/(income):		
Current year	7,064	6,651
Adjustments for prior years	23	16
	7,087	**6,667**
Deferred tax expense/(income)		
Origination and reversal of temporary differences	(482)	(530)
Adjustment for prior year and other	7	(13)
Amortisation of tax component of derivatives	(124)	(119)
	(599)	**(662)**
Total Tax Expense	**6,488**	**6,005**

The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:

	2019	2018
Surplus before income tax	**23,078**	**20,946**
Income tax expense calculated at 28%	6,462	5,865
Permanent differences	170	137
Creation/reversal of temporary difference	(20)	122
Amortisation of tax component of derivatives	(124)	(119)
Income Tax Expense	**6,488**	**6,005**

(b) Income Tax Recognised Directly in Other Comprehensive Income

Deferred tax of $194,000 has been charged directly to other comprehensive income during the period, relating to the fair value movement in the interest rate swaps and foreign exchange forward contracts (2018: ($793,000).

(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

2019	**Opening balance** $ 000's	**Charged to profit for the year** $ 000's	**Charged to other comprehensive income** $ 000's	**Closing balance** $ 000's
Gross deferred tax assets/(liability):				
Property, plant and equipment	(14,889)	466	-	(14,423)
Intangible assets	(441)	91	-	(350)
Employee benefits	125	8	-	133
Derivatives	38	-	194	232
Trade and other payables	(176)	(90)	-	(266)
	(15,343)	**475**	**194**	**(14,674)**

2018	**Opening balance** $ 000's	**Charged to profit for the year** $ 000's	**Charged to other comprehensive income** $ 000's	**Closing balance** $ 000's
Gross deferred tax assets/(liability):				
Property, plant and equipment	(14,296)	312	(905)	(14,889)
Intangible assets	(625)	184	-	(441)
Employee benefits	103	22	-	125
Derivatives	(74)	-	112	38
Trade and other payables	(188)	12	-	(176)
	(15,080)	**530**	**(793)**	**(15,343)**

During the year ending 30 June 2016, a movement in deferred tax on derivatives of $578,000 occurred relating to losses on interest rate swaps closed out during that financial year (refer Note 9(g)). These are being amortised over the original life of the swap, reducing the tax expense for accounting purposes, but were immediately deductible for tax purposes. During the year ending 30 June 2019, $124,000 (2018: $119,000) was recognised as a reduction in tax expense (refer Note 4(a)).

(d) Imputation Credit Account Balances

	2019 **$ 000's**	**2018** **$ 000's**
Balance at beginning of year	18,220	14,343
Income tax paid and payable	7,080	6,665
Tax credits relating to dividend payment	(2,795)	(2,788)
Balance at end of year	**22,505**	**18,220**

5. Trade & Other Receivables

	2019 $ 000's	2018 $ 000's
Trade receivables	3,880	3,778
Less: Provision for expected credit losses	(47)	(46)
Revenue accruals and other receivables	27	13
Total Trade & Other Receivables	**3,860**	**3,745**

Trade receivables have general payment terms of the 20th of the month following invoice. Movements in the provision for expected credit losses have been included in net impairment losses on financial assets in the income statement. No individual amount within the provision for expected credit losses is material.

6. Property, Plant and Equipment

(a) Reconciliation of carrying amounts at the beginning and end of the year

	Land	Right of use Asset	Buildings	Runways, Taxiways & Aprons	Plant & Equipment	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At fair value	202,285	11,340	51,465	48,846	17,822	331,758
At cost			-	-	19,690	19,690
Work in progress at cost	4,711	-	457	169	350	5,687
Accumulated depreciation	-	-	-	-	(10,252)	(10,252)
Balance as at 30 June 2018	**206,996**	**11,340**	**51,922**	**49,015**	**27,610**	**346,883**
Additions	3,409	-	8,905	6,876	3,371	22,561
Depreciation	-	(114)	(2,760)	(2,265)	(2,856)	(7,994)
Movement to 30 June 2019	**3,409**	**(114)**	**6,145**	**4,611**	**515**	**14,567**
At fair value	202,285	11,340	51,465	48,846	17,822	331,758
At cost	3,155	-	1,180	6,528	21,296	32,159
Work in progress at cost	4,965	-	8,182	517	2,114	15,779
Accumulated depreciation	-	(114)	(2,760)	(2,265)	(13,108)	(18,246)
Balance as at 30 June 2019	**210,405**	**11,226**	**58,068**	**53,627**	**28,124**	**361,450**

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The carrying value of the asset categories above includes work in progress. Buildings includes noise mitigation works. Plant & equipment includes plant & equipment, vehicles, roading, car parking and fixtures & fittings.

The Company's assets are secured by way of a general security agreement.

(b) Carrying amounts of land, buildings, runway and aprons if measured at historical cost less accumulated depreciation

	Land	Right of use Asset	Buildings	Runways, Taxiways & Aprons	Plant & Equipment	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Historical Cost at 30 June 2018	26,547	11,421	61,590	50,553	31,095	181,205
Accumulated Depreciation	-	(29)	(20,530)	(10,798)	(13,046)	(44,402)
Carrying Amount as at 30 June 2018	**26,547**	**11,392**	**41,060**	**39,755**	**18,049**	**136,803**
Additions at Cost	3,409	-	8,905	6,876	3,371	22,561
Depreciation	-	(114)	(2,259)	(3,521)	(2,145)	(8,039)
Movement to 30 June 2019	**3,409**	**(114)**	**6,646**	**3,355**	**1,226**	**14,521**
At cost	29,955	11,421	70,495	57,429	34,467	203,766
Accumulated depreciation	-	(142)	(22,789)	(14,319)	(15,191)	(52,442)
Carrying Amount as at 30 June 2019	**29,955**	**11,278**	**47,706**	**43,110**	**19,275**	**151,325**

(c) Revaluation of land, right-of-use asset, buildings, runways, taxiway and aprons and property, plant and equipment

At the end of each reporting period, the Company makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required.

Land, buildings, roading, car parking were independently valued by Seagar & Partners, registered valuers, as at 30 June 2018. The runways, taxiways and aprons were independently valued by Beca Valuations Limited (Beca), registered valuers, as at the same date. The right-of-use asset and Wanaka assets were independently valued by Jones Lang Lasalle Limited (JLL), registered valuers, as at the same date.

Valuations are completed in accordance with financial reporting and valuation standards. Management reviews the key inputs, assesses valuation movements and holds discussions with the valuers as part of the process.

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Discussions about the valuation processes and results are held between the Company's management and the Board.

Seagars and Partners prepared a materiality test of the Company Asset Values for 30 June 2019. The study indicated that the asset values had not materially increased. As a result, a revaluation adjustment was not recognised during the period.

Fair value measurement at 30 June 2018

The valuation assessments of Aeronautical and Non-Aeronautical assets have been undertaken in accordance with NZ IAS 16, which states that assets held for use in the production or supply of goods or services or for rental consideration from third parties, are to be identified as Property, Plant and Equipment and therefore recorded at their 'Fair Value'. Fair value is 'The amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction' Where Fair Value can be determined by reference to the price paid in an active market for the same or similar assets, the value of those assets can generally be determined on the basis of 'Market Value'. Under NZ IAS 16 there is no requirement to assess (and deduct) disposal costs.

The valuation has also been prepared in compliance with NZ IFRS 13 Fair Value Measurement. NZ IFRS 13 Fair Value Measurement applies to reporting standards that require or permit fair value measurements or disclosures and provides a single NZ IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

The Company's land, right-of-use asset, buildings, runways, taxiway and aprons and property, plant and equipment are categorised as Level 1, 2 and 3 in the fair value hierarchy. During the year, there were no transfers between the levels of the fair value hierarchy

The table below summarises the valuation methodology, key valuation assumptions, fair value hierarchy levels and valuation sensitivity analysis for the significant asset classes.

The remaining asset categories if aggregated have a valuation sensitivity of $1.3 million and have therefore not been separately disclosed. The valuation methodologies relating to the asset categories that have not been disclosed separately included: Investment Basis, Fair Value under Optimised based on Depreciated Replacement Cost and Depreciated Replacement Cost Approach, Market Value - under Direct Sales Comparison Approach, Discounted Cashflow Approach, Capitalisation Approach and Existing Use.

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Asset Classification & Description	Valuation Methodology	Key Valuation Assumptions	Fair Value Hierarchy Level	Valuation Sensitivity
Land				
Aeronautical **Land used for airport-related activities.**	Market Value – Highest & Best Use. Direct Sales Comparison using a Zonal Approach.	Rural General zoned land at an average rate of $400,000 per hectare, while Airport Mixed-Use land at an average rate of $1,925,000 per hectare.	3	+/- $3.0 million (5% change in land value rates)
Carparking **Land accommodating transportation uses including public, rental car and staff parking as well as commercial service operators.**	Market Value using a Discounted Cashflow Approach, based upon internal management information including forecasted revenues, costs and capex.	Revenue growth of 2.3% per annum overall. Discount rates between 6.0% – 16.0% pre-tax.	3	+/- $1.15 million (50 bps change in growth rate) +/- $1.0 million (5% change in discount rate)
Ground Leases **Land leased to third parties for aeronautical activities where the Lessee owns the improvements.**	Market Value using a Discounted Cashflow Approach, based upon actual lease agreements with third parties. The adopted discount rate and underlying land values are based upon observable market inputs.	Majority of the ground leased sites assessed at a freehold land value of $1,000/m². Average discount rate of 8.0% applied to cashflows.	1	+/- $1.25 million (5% change in freehold land rates)
Industrial **Vacant land zoned industrial at the northern end of the airport.**	Market Value under a Direct Sales Comparison Approach.	Land values range between $250 – $375/m² at an average of $305/m².	1	+/- $4.8 million (10% change in freehold land rates)
Wanaka - Non-Aeronautical **Windermere Farm and Ferguson land.**	Market Value under Direct Sales Comparison and Hypothetical Subdivision Approaches.	Average adopted land value rate of $112,000 per hectare.	1	+/- $820,000 (5% change in average land rate)
Runway, Taxiway & Aprons				
Aeronautical **Aeronautical infrastructure and sealed surfaces.**	Fair Value under the Depreciated Replacement Cost (DRC) Approach. It is based upon the principle of substitution, assuming the use of modern materials, techniques and designs.	Reference has been made to inflation indices used and construction rates compiled by Beca's cost estimators and valuations team, who are involved in aviation civil works. Capital additions and disposals supplied by QACL have also been included.	3	+/- $1.22 million (2.5% change in DRC value)
Buildings				
Aeronautical **Terminal Building**	Fair Value under an Optimised Depreciated Replacement Cost (ODRC) approach. The cost of constructing an equivalent asset at current market-based input cost rates, adjusted for remaining useful life (depreciation).	Weighted average construction cost of $3,505/m² and depreciation rates of circa 4.0% per annum.	3	+/- $2.25 million (5% change to replacement rate)

Sensitivity of Inputs	
Land	The critical elements in establishing the 'market value existing use' of land is the market rate prevailing for similar land. - An increase in demand for land will increase the fair value, vice versa - Rezoning, servicing upgrades or reconfiguring land can result in an increase in the fair value, vice versa
Runway, Taxiway & Aprons	The critical elements in establishing the fair value of civil assets is the movement in the average cost rates for concrete, asphalt, base course and foundations, as well as the estimated remaining useful life of the assets. - An increase to any of the average cost rates listed above will increase the fair value, vice versa - A reduction in the estimated remaining useful life of the assets will reduce the fair value, vice versa
Buildings, Plant & Equipment	- An increase in modern equivalent asset replacement cost will increase the fair value, vice versa - A reduction in the estimated remaining useful life of the assets will reduce the fair value, vice versa - An increase in the cashflow from an asset will increase the fair value, vice versa
Right to Use Asset	- An increase in demand for land will increase fair value, vice versa - An increase in the perceived risk associated with leasehold assets will decrease fair value, vice versa

7. Intangible Assets

	2019 $ 000's	**2018 $ 000's**
Cost		
Opening balance	4,832	3,946
Additions from internal developments	1,684	885
Total cost closing balance	**6,516**	**4,831**
Accumulated amortisation		
Opening balance	1,677	1,021
Amortisation expense	325	656
Total accumulated amortisation	**2,002**	**1,677**
Total Carrying Value of Intangible Assets	**4,514**	**3,154**

The following useful lives are used in the calculation of amortisation:

Noise boundaries	6 to 9 years
Flight fans	15 years

The Company has not identified any material assets related to contracts with customers.

8. Employee Entitlements

	2019 $ 000's	**2018 $ 000's**
Accrued salary and wages	688	589
Annual leave	476	447
Total Employee Entitlements	**1,164**	**1,036**

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9. Financial instruments

(a) Foreign Exchange Risk Management

It is the policy of the Company to enter into forward foreign exchange contracts to cover committed foreign currency payments and receipts over $0.5 million by at least 80% of the exposure generated. During the year ending 30 June 2016, the Company entered into a contract to lease land near Wanaka Airport to The National Aeronautics and Space Administration (NASA) of the United States of America, the rental of which is received in US dollars. To mitigate the exchange risk on these receipts, the Company has entered into foreign exchange forward contracts to sell US dollars and buy NZD, to hedge the revenue payable by NASA, until 7th February 2020. These foreign exchange forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast revenues in USD. These forecast transactions are highly probable, and they comprise 100% of the Company's total expected revenues in USD. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. At 30 June 2019 an unrealised gain of $11,000 net of tax $4,000 relating to the hedging instruments, is included in other comprehensive income (2018: unrealised loss of $37,000 net of tax $15,000). It is anticipated that the lease payments received over the period of lease, will match the timing and amount of each forward foreign exchange contract.

(b) Interest Rate Risk Management

The Company has interest rate risk resulting from its floating rate borrowings under its debt facility. In order to protect against this risk, the Company has entered into interest rate swaps agreements, under which it has the obligation to transform a series of future variable interest cash flows, attributable to changes in 3 month NZD-BRR-FRA, back to a known fixed interest cash flow based on the relevant swap rate that existed at the inception of the hedge relationship. The following table details the notional principal amounts and remaining term of interest rate swap contracts outstanding as at reporting date:

	Contract fixed Interest rate		**Notional principal amount**		**Fair Value**	
	2019 %	**2018 %**	**2019 $ 000's**	**2018 $ 000's**	**2019 $ 000's**	**2018 $ 000's**
Outstanding floating to fixed contracts						
Less than 1 year	2.403	2.345	2,500	5,000	(25)	(11)
1 to 2 years	2.47	2.403	5,000	2,500	(109)	(13)
3 to 5 years	2.008-2.623	2.470 2.623	18,000	15,000	(683)	(85)
Total			**25,500**	**22,500**	**(817)**	**(109)**
Cover of principal outstanding			41%	40%		

The interest rate swaps are designated hedge relationships and the hedges assessed to be highly effective over the term of the hedge relationship. As a result, a net unrealised loss of $510,000 net of tax $198,000 relating to the hedging instruments, is included in other comprehensive income (2018: unrealised loss of $251,000 net of tax $97,000).

At 30 June 2019, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact on profit would have been $236,000 lower/higher. A sensitivity of 1% has been selected as this is considered reasonable given the current level of interest rates and the trend observed both on a historical basis and market expectations for future moves.

(c) Capital Risk Management

When managing capital, management ensures that the Company continues as a going concern, the Company has access to sufficient capital to fund investments, capital can be accessed at a competitive cost and optimal returns are delivered to shareholders.

The Company is not subject to any externally imposed capital requirements apart from covenants in respect of bank facilities.

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(d) Credit and Liquidity Risk Management

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and credit exposures to customers, including outstanding receivables. Credit risk is managed by the senior management and directed by the board. Only independently rated banks with a minimum rating of A (Standard & Poor'r) or A1 (Moody's) are accepted. For parties where there is no independent rating, financial department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. For some customers the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets is mentioned in the Note 5 Trade & Other Receivables, and note 15(a) Reconciliation of Cash and Cash Equivalents. There are no significant concentrations of credit risk, through exposure to individual customer due to the specifics of the industry. The Company applies the IFRS 9 simplified approach to measuring credit losses, refer to Note 5 Trade & Other Receivables for further discussion.

Liquidity risk represents the risk that the company may not have the financial ability to meet its contractual obligations. The company evaluates its liquidity requirements on an on-going basis and reviews the treasury policy headroom levels on an annual basis. In general, the company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

The table below analyses the company's financial liabilities and derivative financial liabilities that will be settled on a net basis, into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances within 12 months equal their carrying balances.

	Carrying Amount	**Total Cash Flow**	**On demand**	**<1 year**	**1-2 years**	**3-5 years**
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
30-Jun-19						
Trade and other payables	**4,214**	**4,214**	4,214	-	-	-
Borrowings	**62,700**	**62,700**	-	20,000*	-	42,700
Derivative financial instruments	**829**	**-**	-	252	57	520
30-Jun-18						
Trade and other payables	**3,301**	**3,301**	3,301	-	-	-
Borrowings	**57,000**	**57,000**	-	-	-	57,000
Derivative financial instruments	**136**	**136**	-	-	51	85

*There will be no cashflow arising on repayment of the current ASB facility on the net basis, refer to 9(f).

(e) Trade & Other Payables

	2019	**2018**
	$ 000's	**$ 000's**
Trade payables	1,635	1,536
Other creditors and accruals	2,579	1,809
Total Trade and Other Payables	**4,214**	**3,345**

The above balances are unsecured. The amount owing to the related parties is specified in Note 14.

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(f) Borrowings

	Commencement Date	Expiry Date	Line limit	Drawn at 30 June 2019	Drawn at 30 June 2018
			$ 000's	$ 000's	$ 000's
BNZ Facility A	23 May 2016	22 May 2020	30,000	16,700	21,000
BNZ Facility B	1 August 2016	31 July 2021	30,000	-	10,000
Westpac Facility A	23 May 2016	22 May 2020	20,000	20,000	20,000
Westpac Facility B	1 August 2016	31 July 2021	20,000	6,000	6,000
Westpac Facility C	30 April 2018	29 April 2021	20,000	-	-
Westpac Facility D	30 April 2018	29 April 2023	20,000	-	-
ASB Facility	30 April 2018	29 April 2020	20,000	20,000	-
Bank of China Facility	30 April 2018	29 April 2023	60,000	-	-
Total Borrowings			**220,000**	**62,700**	**57,000**
Disclosed in the financial statements as:					
Current				**20,000**	**-**
Non-current				**42,700**	**57,000**

At 30 June 2019 $20 million of the ASB facility was drawn. As the expiry date of this facility is within 12 months, the loan liability has been classified as current in the financial statements. The Company has sufficient headroom within the remaining facilities that expire beyond 12 months to repay the ASB facility at any time. Upon repayment of the ASB facility the $20 million currently recorded as a current liability would transfer to a non-current liability. The classification as a current liability does not have an adverse effect on the liquidity of the Company.

During the prior year the Company extended its banking facilities from $100 million to $220 million for 2 to 5-year terms, sourced from four major banks. The bank facilities are secured by a general security agreement over the Company's assets, undertakings and any uncalled capital. The weighted average interest rate on the term loan for the year ending 30 June 2019 was 4.51% (2018: 4.04%).

There were no default breaches on the Company's banking facilities during the year.

(g) Derivatives

Derivative financial liabilities:

	2019 $ 000's	2018 $ 000's
Current		
Interest rate swap (i) (effective)	240	-
Foreign exchange forward contracts (effective)	12	-
Total Current Derivatives	**252**	**-**
Non-current		
Interest rate swap (i) (effective)	577	109
Foreign exchange forward contracts (effective)	-	27
Total Non-current Derivatives	**577**	**136**
Total Derivatives	**829**	**136**

(h) Classification and measurement

On 1 July 2018 (the date of initial application of NZ IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate NZ IFRS 9 categories. The categories do not differ to the classification under NZ IAS 39. The table below compares the classification of the financial instruments under the old standard NZ IAS 39 and the new standard NZ IFRS 9 at the beginning of the financial period.

Classification of Financial Instruments at 1 July 2018

	Measurement category		Carrying amount	
	Original (NZ IAS 39)	**New (NZ IFRS 9)**	**Original $000's**	**New $000's**
Current financial assets				
Cash and cash equivalents	Amortised cost	Amortised cost	1,897	1,897
Trade receivables	Amortised cost	Amortised cost	3,745	3,745
Current financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	(3,345)	(3,345)
Borrowings	Amortised cost	Amortised cost	(57,000)	(57,000)
Non-current financial liabilities				
Derivatives	FVOCI*	FVOCI*	(136)	(136)

* Fair Value through Other Comprehensive Income

The fair value of derivative financial instruments has been determined using valuation technique which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

The mark-to market value is determined by taking the existing swap rate and comparing this to the market forward curve on the valuation date. The quarterly fixed rate of 2.47%, is compared to the forward implied floating rates from the market forward curve for each quarter. The difference is subsequently discounted at current market rates to give a valuation on the required date.

The instruments are not traded in an active marked, and all significant inputs required to measure fair value of the instruments are observable, therefore the instruments were included in Level 2 category. There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the year. The table below specifies the fair value levels of the Financial Instruments at FVOCI.

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Recurring fair value measurements of Financial Instruments at FVOCI at 30 June 2019

	Level 1 **$ 000's**	Level 2 **$ 000's**	Level 3 **$ 000's**	Total **$ 000's**
Financial liabilities				
Foreign currency forwards	-	(12)	-	(12)
Interest rate swaps	-	(817)	-	(817)
Total financial liabilities	-	**(829)**	-	**(829)**

Recurring fair value measurements of Financial Instruments at FVOCI at 30 June 2018

	Level 1 **$ 000's**	Level 2 **$ 000's**	Level 3 **$ 000's**	Total **$ 000's**
Financial liabilities				
Foreign currency forwards	-	(27)	-	(27)
Interest rate swaps	-	(109)	-	(109)
Total financial liabilities	-	**(136)**	**-**	**(136)**

(i) Impairment of financial assets

Trade Receivables and Cash and equivalents are subject to NZ IFRS 9's new expected credit loss model. The Company has applied a simplified approach to measuring expected credit losses which use a lifetime expected loss allowance, i.e. the expected credit losses that result from all possible default events over the expected life of a receivable. Based on having no material history of write offs and due to the nature of our customers, the calculation of the expected credit losses under the model in NZ IFRS 9 is not materially different to the historical Bad Debt Allowance methodology based on the specific aged debtor balances.

Specific allowances are continued to be recognised if certain loss events have occurred.

10. Share Capital

	2019 **No.**	**2018** **No.**	**2019** **$ 000's**	**2018** **$ 000's**
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	16,060,365	16,060,365	37,657	37,657
Balance at End of Year	**16,060,365**	**16,060,365**	**37,657**	**37,657**

All ordinary shares have equal voting rights and equal rights to distributions and any surplus on winding up of the Company.

11. Retained Earnings and Reserves

(a) Retained Earnings

	2019 $ 000's	2018 $ 000's
Balance at the beginning of the year	33,674	25,902
Profit for the year after taxation	16,590	14,941
Dividends paid during the year	(7,186)	(7,169)
Balance at End of Year	**43,078**	**33,674**

Dividends Paid

	2019 $ 000's	2018 $ 000's
Final Dividend	6,186	6,169
Interim Dividend	1,000	1,000
Total Dividend Paid	**7,186**	**7,169**

On 15th February 2019 an interim dividend of 6.23 cents per share (total dividend of $1,000,000) for the year ending 30 June 2019 was paid to holders of fully paid ordinary shares.

On 22th August 2018 a final dividend of 38.52 cents per share (total dividend of $6,186,386) for the year ending 30 June 2018 was paid to holders of fully paid ordinary shares.

(b) Asset Revaluation Reserve

	2019 $ 000's	2018 $ 000's
Balance at the beginning of the year	204,376	172,222
Increase arising on revaluation of assets	-	33,059
Deferred tax movement arising on revaluation	-	(905)
Balance at End of Year	**204,376**	**204,376**

The asset revaluation reserve is used to record increases and decreases in the fair value of property, plant and equipment to the extent that they offset one another.

(c) Cash Flow Hedge Reserve

	2019 $ 000's	2018 $ 000's
Balance at the beginning of the year	(797)	(816)
Gain/(loss) recognised on interest rate swaps	(708)	(348)
Deferred tax movement arising on interest rate swaps	198	97
Gain/(loss) recognised on forward exchange contracts	15	(51)
Deferred tax movement arising on forward exchange contracts	(4)	15
Realised losses/(gains) transferred to the income statement	318	306
Balance at End of Year	**(978)**	**(797)**

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement when the hedge relationship is discontinued or is included as a basis adjustment to the non-financial hedged item, consistent with applicable accounting treatment.

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During the year ending 30 June 2016, the Company closed out $20 million of interest rate swaps at rates ranging from 4.78% to 5.615% at a loss (net of tax) of $1.5 million. As these were designated hedge relationships, the net loss and related tax benefit will be recognised in the Income Statement, over the period of the original swap. During the year ending 30 June 2019, the interest expense of $441,000 and tax benefit of $123,000 was recognised (2018: $425,000 and $119,000 respectively).

12. Commitments for Expenditure

	2019 $ 000's	2018 $ 000's
Committed for Acquisition of Property, Plant and Equipment	**4,634**	**7,349**

13. Operating Lease Arrangements

(a) Company as Lessee; Operating Lease Commitments

Operating leases relate to leases of photocopiers, EFTPOS machines and a vehicle with lease terms of between 1 and 4 years.

	2019 $ 000's	2018 $ 000's
Non-cancellable operating lease payments:		
Not longer than 1 year	101	99
Longer than 1 year and not longer than 5 years	45	69
Total Company as Lessee; Operating Lease Commitments	**146**	**168**

(b) Company as Lessor; Operating Lease Rental

Operating leases relate to the commercial property owned by the Company with lease terms of between 4 months to 33 years, with options to extend for up to a further 10 years. The lease terms at 30 June 2019, extend up to 19 years in the future. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Company from its commercial property is set out in note 2. The Company has contractual rights under leases to the following Minimum Annual Guaranteed rentals and contracted escalations but excludes at risk receipts such as turnover rents and CPI increases:

	2019 $ 000's	2018 $ 000's
Less than 12 months	8,166	8,833
1-5 years	14,190	14,973
5 years +	2,953	2,092
Total Company as Lessor, Operating Lease Rental	**25,309**	**25,898**

14. Related Party Disclosures

Queenstown Airport Corporation Limited is 75.01% owned by the ultimate parent entity, Queenstown Lakes District Council, and 24.99% owned by Auckland Airport Holdings (No 2) Limited.

Related parties of the Company are:

- Queenstown Lakes District Council (QLDC) – Shareholder
- Auckland International Airport Limited (AIAL) – Shareholder
- Prudence M Flacks – Director, Bank of New Zealand Limited
- Grant R Lilly – Director, Go Rentals (Auckland) Limited
- Mark R Thomson –General Manager Property, Auckland International Airport Limited

All of the related parties' transactions were provided on normal commercial terms.

During the year the following (payments)/receipts were (made to)/received from related parties:

	2019 $ 000's	2018 $ 000's
Queenstown Lakes District Council		
Rates	(481)	(380)
Resource and building consent costs & collection fees	(18)	(8)
Transactions related to Wanaka Airport	-	(14,539)
Other	(9)	(653)
Wanaka Airport management fee	-	175
Parking Infringement Income	83	76
Frankton Golf Club Income	40	25

As at 30 June 2018, the company received vested asset revenue, being QLDC's half share interest in the completed Park and Ride Facility.

Auckland International Airport Limited		
Rescue fire training	(41)	(13)
Purchase of fire appliance	-	(2)
Director fees	(43)	(38)

Queenstown Airport Corporation Limited receives services from Auckland International Airport Limited for which no consideration is paid.

Warbirds Over Wanaka Community Trust		
Warbirds over Wanaka Event Fee	-	13
Civil Aviation of New Zealand		
CAA certification audit fees	-	(10)
Aviation Security Service		
Airport security cards	-	(8)
Rental, power recovery and parking revenue	-	239
ISPS Handa NZ Golf Open		
Sponsorship	-	(10)
Go Rentals (Auckland) Ltd		
Commercial parking revenue	85	101
New Zealand Transport Agency		
Recovery of governance workshop costs	-	8
BNZ		
Interest paid, other bank fees and interest received	(1,120)	(865)

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While similar transactions occurred in the current period with Civil Aviation of New Zealand, Aviation Security Service, and New Zealand Transport Agency, they are not related party transactions, because the related party relationship did not exist at balance date.

Amounts receivable from related parties at balance date:

	2019 $ 000's	2018 $ 000's
Aviation Security Service	-	8

Amounts payable to related parties at balance date:

Queenstown Lakes District Council	(3)	(1)
BNZ Borrowings (refer note 9(f))	(16,700)	(31,000)
BNZ Foreign exchange forward contract (refer note 9(g))	(12)	(27)
BNZ Interest Accruals	(38)	(134)
Aviation Security Services	-	(1)

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was $1,941,000 (2018: $1,744,000).

15. Notes to the Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. As required under the Construction Contracts Act 2002, cash includes retentions of $19,000 held on trust, which are payable by the Company on completion of contractual obligations by third parties. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Statement of Financial Position as follows:

	2019 $ 000's	2018 $ 000's
Cash on hand	12	13
Cash at bank	897	1,884
Total Cash and Cash Equivalents	**909**	**1,897**

(b) Changes in liabilities rising from financing activities

	Opening balance $000's	Cash flows $000's	Closing balance $000's
2019 Borrowings	57,000	5,700	62,700
2018 Borrowings	47,000	10,000	57,000

(c) Reconciliation of Surplus for the Period to Net Cash Flows from Operating Activities

	2019 $ 000's	2018 $ 000's
Profit for the year	**16,590**	**14,941**
Add/(less) non-cash items:		
Amortisation	325	656
Depreciation and impairment	7,994	7,553
Unwind of deferred tax liability to tax expense	(475)	(530)
Revenue on vested asset	-	(568)
Other	10	306
	7,854	**7,417**
Changes in assets and liabilities:		
Increase in trade and other receivables	(115)	(304)
Increase/(decrease) in prepayments	138	(97)
Increase/(decrease) in current tax payable	(1,066)	2,180
Increase/(decrease) in trade and other payables	907	(2,375)
Increase in employee entitlements	128	168
Movement in items reclassified as investing and financing activities	(1,767)	2,620
	(1,775)	**2,192**
Net Cash Inflow from Operating Activities	**22,669**	**24,550**

16. Contingent Liabilities

(a) Noise Mitigation

The Company has implemented a programme of works to assist homeowners living in the inner and mid noise boundaries to mitigate the effects of aircraft sound exposure.

Inner Noise Mitigation

As at 30 June 2019, the company had started inner noise mitigation on 13 properties (3 are owned by the Company), at a total cost of $1,188,000. The cost to complete the 6 properties that have since accepted is $618,000, which has been disclosed as a capital commitment in Note 12.

During the year the company has continued to progress the delivery of inner noise mitigation packages that were offered to 11 properties (not owned by the Company) in FY18.

Mid Noise Mitigation

Prior to 30 June 2019 the Company had made a commitment to provide noise mitigation works (mechanical ventilation) to 84 properties. As at 30 June 2019, 51 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

17. Subsequent Events

The Directors resolved on 20 August 2019 that the final dividend for the year ended 30 June 2019 would be $7,295,000. There were no other significant events after balance date.

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Statement of Service Performance

QAC's principal objective is to be a successful business and it aims to achieve this by regularly identifying and setting clear targets and the practical steps it will undertake to achieve them.

The success of QAC's vision is measured through three objectives - People, Place and Performance, as seen through the perspectives of its four major stakeholder groups - visitors, team, airport community and wider community.

The Company's annual Statement of Intent (SOI) provides a list of objectives to be achieved in the next financial year and its performance against these is measured, reported and audited as part of the Statement of Service Performance in the Company's annual report.

QAC set the following strategies for the FY19 year:

- Operations strategy
    - Making journeys safe, secure, efficient and rewarding
- Commercial strategy
    - Providing value for our visitors
- Property and planning strategy
    - Making best use of our land and resources
- One Team strategy
    - Working together to achieve the best outcomes for all
- Wanaka strategy
    - Connecting Wanaka sustainably.

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	OPERATIONS STRATEGY *Making journeys safe, secure, efficient and rewarding*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Work with our airline and airport stakeholders to deliver passenger growth and share the rewards	• Develop a comprehensive General Aviation ('GA') Strategy, in collaboration with the GA operators, to support and inform the implementation of the Master Plan options.	• Partially achieved	• Comprehensive General Aviation strategy with operational, commercial and financial model.	• March 2019	• Engaged with GA operators and conducted survey to understand their current and future requirements. Work on future operating and financial model is outstanding
Deliver affordable, timely infrastructure for the safe, secure and efficient movement of people	• Expand back-of-house facilities and capacity to accommodate growth. • Continue to manage resourcing to meet both overall growth and growth in winter evening hours of operation. Continue strong focus on collaborative operations, continuous improvement and facilities management across the business. • The acquisition of Lot 6 continues to be a priority in optimising airfield operations.	• Achieved • Partially achieved • Partially achieved	• Joint taskforce focused on terminal capacity optimisation, end-to-end process improvement of passenger facilitation and operational efficiencies. • Increase capacity in baggage make-up area. • Purchase and implement new winter operations equipment. • Apron asphalt overlay. • Deliver 3-stage Potable Water Resilience Project.	• September 2018 • December 2018 • June 2018 onward • February 2019 • December 2019	• Project Pathway commenced, with improvements to the Border Agency Space Management nearing completion • Work to increase space in the baggage make-up area moved to FY 2020 • Work on the $7 million apron overlay started our sustainability journey, utilizing a mix of using a new low carbon asphalt, incorporating 1.5 million recycled glass bottles and 330,000 waste printer toner cartridges • Installed additional stand lighting to facilitate evening and morning flights safely • Options assessment completed and recommendations to be presented to QAC Board • Enhanced airport boundary fence line at Lucas Place • Made security improvements to off-site maintenance facility

	OPERATIONS STRATEGY *Making journeys safe, secure, efficient and rewarding*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
					• Established Airfield Ground Maintenance workshop • Completed check-in area lighting upgrade
Deliver New Zealand's safest, most secure and efficient passenger experience through engaging with the airport community in collaborative operations	• Continue to lead the promotion, scope and delivery of improvements for passenger facilitation, operational processes and systems. • Establish baseline passenger processing time and set processing performance targets with border agencies. • Work with Customs on expanding the nationalities which can use E-Gates. • Work with Airways to introduce technology to manage the increasing risk of Unmanned Aerial Vehicle (UAV / drone) flights to aviation activities.	• Partially achieved • Not achieved • Achieved • Achieved	• Seasonally-based passenger processing targets agreed and reported. • New biometric automated passenger processing expanded to more nationalities. • Quarterly targets shared with collaborative operations team and improvement targets set. • Trial and identify UAV systems to approve, track and more effectively manage drone activities in controlled airspace.	• Ongoing • Ongoing • Ongoing • July 2018	• Delivered Secondary Process Alterations (BASM) facilities improvement to improve passenger process and risk management • E-gates nationalities accepted expanded in-line with national processes • Upgrading CCTV throughout the terminal precinct and Wanaka Airport to enhance safety and security • Reviewed UAV/drone reporting process with Airways and Police to ensure timely reporting of sightings • Worked with Airways on Airshare App trial
Deliver reliable facilities and infrastructure through asset lifecycle management, effective maintenance and contingency planning	• Develop a comprehensive Asset Management Plan with maintenance management/corrective action ticketing and reporting software to track and manage maintenance activities.	• Partially Achieved	• Comprehensive facilities maintenance and lifecycle replacement programme scoped. • Airport utility and systems contingency risks identified and an implementation plan in place • Set energy conservation and waste minimisation targets	• Ongoing • November 2018 • August 2018	• Implemented FIX, a computerised maintenance system including an asset register • Work is underway to assess the terminal backup power systems, including improvements to the load shedding operations

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	OPERATIONS STRATEGY *Making journeys safe, secure, efficient and rewarding*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
	• Planning and infrastructure in place for key utility services and aeronautical systems. • Develop an energy conservation and waste minimisation programme.	• Partially achieved • Partially achieved			• Energy management plan is to be incorporated into environment management plan • Updated access control system in-line with latest technology

	COMMERCIAL STRATEGY *Providing value to our customers*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Generate sustainable returns on property, leases, licenses and commercial property within QAC's portfolio	• Continue to evaluate opportunities to grow commercial property portfolio. • Rent reviews, lease renewals and new leases based on benchmarking and market dynamics.	• Achieved • Partially achieved	• Integrate property management system with financial system. • Leases/licences reviewed, renewed, up to date. • New lease and license opportunities evaluated and implemented on case by case merits.	• Dec 2018 • June 2018 • Ongoing	• Nomos One and Greentree integration delivered • Overdue leasing events closed
Generate sustainable aeronautical revenues	• Review aeronautical pricing strategies and engage with stakeholders.	• Achieved	• Sustainable pricing model that provides fair returns to QAC and operators and supports capital investment.	• 2018-2019	• FY20 aeronautical pricing reset completed
Deliver value from transport networking activity by enhancing products, price and partnerships	• Review and improve ground transport and roading networks and technology on airport landholdings. • Review the carparking and transport strategy. Continue to develop opportunities for the commercial and public carparks. • Review Park and Ride and future planning. • Launch new transport products and services.	• Achieved • Achieved • Partially Achieved • Achieved	• Evaluate opportunities for car parking capacity efficiencies. • Commercial transfer area optimised, with robust long-term planning. • Park and Ride is a self-sustainable parking offering. • Commercial revenue as per forecast.	• June 2019 and ongoing • December 2018 • June 2019 • 2019-2020	• Commenced traffic survey to understand baseline modal splits to use for scenario planning. • Ground Transport Strategy presented to the Board and immediate actions adopted and initiatives underway • Commercial Wait Area (CWA) opened as a transport area and application process was reopened to new operators • Online booking introduced for Park and Ride, as well as further scope and investment to bring offering in-line with terminal technology in Q1 FY 2020

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	COMMERCIAL STRATEGY *Providing value to our customers*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Develop a boutique terminal retail mix that reflects the uniqueness and quality of the regional experience and optimises returns and customer satisfaction	• Continue to develop a boutique shopping environment for customers, with the right mix of local owner-operators and national brands. • Expand the pop-up programme and integrate into the retail mix as an adaptable proposition to increase customer choice.	• Achieved • Achieved	• Commercial revenue growth as per financial forecast • Customer satisfaction targets	• 2018-2020 • Ongoing	• Continuation of pop-up strategy with Wanaka-based Common People and Sir Edmund Hilary clothing store, alongside the return of Hikari Sushi to the forecourt and Cherry Cheer over the summer period. • Installation of the Airspresso domestic kiosk offering grab'n'go food options and coffee to domestic passengers.
Enhance the end-to-end customer experience through technology, wayfinding, services and offerings	• Work with partners to create new and innovative ways to connect with customers. • Continue to roll out improvements to wayfinding, ensuring that it provides the right information at key decision points • Introduce opportunities for real time customer feedback and an integrated customer management system • Input into master plan with a focus on more flexibility and an aim to introduce/update digital technology.	• Partially achieved • Achieved • Partially achieved • Partially achieved	• Review advertising assets, contracts and suppliers. Introduce digital sales channels. • Review and report monthly research results. All customer interactions recorded in one system. • Monitor satisfaction via monthly research results and continue ongoing reviews • Use real-time data in decision making and terminal planning.	• Phased plan • March 2019 • Ongoing • December 2018	• Advertising contract reviewed and awarded to JC Decaux (prior APN Outdoor). New digital screens installed throughout the terminal. • Monthly DKMA results analysed and presented to the QAC team via Customer Voice email update and in Town Hall meetings. Relevant actions implemented by respective teams • Complaints and feedback spreadsheet created to capture real-time feedback and record action taken • Moved airport Information Desk to a more central location, using new wayfinding branding to provide a more

	COMMERCIAL STRATEGY *Providing value to our customers*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
					welcoming environment to passengers • New, enhanced terminal wayfinding completed, ensuring all the airport's wayfinding is in-line with the Company brand, enhancing the customer journey from park-to-plane • Enhanced terminal theming and events to improve in-terminal atmosphere, including Christmas Community Days, Easter Bunny visit and LUMA installation. • Phase two of Blip Track implemented in international arrivals to monitor passenger flow and process times to create a comprehensive picture of actual customer journeys to enable us to better manage processes and flow. Testing underway before rolling out in the next financial year

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	PROPERTY AND PLANNING STRATEGY *Making best use of our land and resources*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Develop a 30-year Master Plan for Queenstown Airport that will inform internal planning, facilitate stakeholder & community engagement and provide a spatial framework for the airport's future	• Determine a preferred Master Plan option to provide guidance on the land needed for future aeronautical and non-aeronautical opportunities and planning requirements for growth.	• Not achieved	• Preferred Option identified	• May 2019	• Work commenced on the Company's strategic planning initiatives to cater for air services to the region over the next 30 years in a staged approach. • Planning underway to explore the opportunities for both Queenstown and Wanaka airports under the dual-airport model, which will consider other region-wide planning initiatives by Council and others before details are finalised and shared.
Develop a programme of work to accommodate 2.5mppa in the existing Queenstown Airport terminal.	• Work with core airport stakeholders to develop a programme of projects as a pathway to accommodating 2.5mppa capacity.	• Partially achieved	• Develop programme of projects • Commence delivery of projects • Complete programme	• December 2018 • June 2019 • June 2020	• The $20 million Project Pathway commenced with several workstreams underway. • The $2.5 million Border Agency Space Management (BASM) project is nearing completion • Work started on the common-user self-check-in kiosks, baggage make-up unit and improvements to security screening
Progress a project to increase Queenstown Airport's Noise Boundaries to accommodate planned growth targets.	• Initiate a planning process to increase Queenstown Airport's noise boundaries to accommodate planned growth targets.	• Partially achieved	• Public consultation on proposed changes	• July 2018 and on-going	• Public consultation on proposed noise boundaries changes completed in July and August 2018 • Decision made to consider other long-term planning initiatives before progressing further.

	PROPERTY AND PLANNING STRATEGY *Making best use of our land and resources*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Protect the airport company's long-term objectives and capacity by inputting to national, regional and local planning, and addressing proposed developments/land uses within the airport's designations	• Be proactive in regulatory planning issues, submitting as required on national, regional and local planning frameworks. • Engage with the QLDC Proposed District Plan (PDP) process to ensure Queenstown and Wanaka airport's planning frameworks are provided for, protected or enhanced. • Participate in community discussions to help maintain visitor experience and quality of life for the permanent resident base. This would assist in integrating the airport in the local community as it expands over the coming 30 years.	• Partially achieved • Achieved • Achieved	• Airport Mixed Use Zone is approved and operative for both Queenstown and Wanaka Airports • PC35 (QAC) and PC26 (Wanaka) provisions and recognition of Queenstown Airport as nationally significant infrastructure is effectively confirmed within the District Plan review	• Stage I decisions due Q2 2018 (subject to QLDC's PDP timeline) • 2020 (subject to QLDC's final PDP timeline)	• Stage I decisions were received, appeals lodged and are in the Environment Court mediation phase. • Stage II decisions have been received and appeals lodged. Mediation has not yet commenced.
Develop land holdings to maximise return on investment while complementing long term aviation growth	• Assess development opportunities for their long term sustainable value to Queenstown airport within our relatively constrained land available for this use. Specific opportunities being explored include working with QLDC on the development of a transport hub linked to QAC's transport network, visitor accommodation, and commercial/industrial development.	• Partially achieved	• Broad development opportunities determined in Master Plan options report. • Specific development opportunities to be identified following the identification of the preferred master plan option.	• December 2018 • 2020	• Opportunities explored as part of the dual-airport model planning

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	PROPERTY AND PLANNING STRATEGY *Making best use of our land and resources*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Work with key partners to ensure airport and connecting infrastructure supports the safe and efficient movement of people around the region and provides an outstanding visitor experience	• Work with partners to consider a transport hub which will support regional and visitor traffic, linking private vehicles, commercial transport, public buses and ferries. • Participate and provide joint leadership in the Transport Governance Group together with QLDC, NZTA and ORC.	• Partially achieved • Achieved	• Support the promotion of multi-modal transport choices available at the airport. • Work with transport partners to identify key transport linkages associated with each of the Queenstown Airport master plan options.	• Ongoing • Dec 2018	• Commencement of research into travel patterns of airport community to share data on transport use with Regional Transport Group to build a picture of usage • Participation in key regional planning initiatives and workshops such as Frankton and Wanaka Master Plans, Shaping Our Future, Vision 2050, Regional Transport Group, and Destination Management Group

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	PROPERTY AND PLANNING STRATEGY *Making best use of our land and resources*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Acquire or rationalise land holdings to support our strategies	• Secure and develop Lot 6 to accommodate a 168m separated heavy taxiway and a new aviation precinct. • Assess opportunities to acquire other land that will support the long-term growth of the airport.	• Partially achieved • Partially achieved	• Secure the acquisition of 'Lot 6' • Assess and present land acquisition opportunities on case by case merits	• FY19 • Ongoing	• The Environment Court approved Queenstown Airport's acquisition under the Public Works Act (PWA) of the land known as 'Lot 6', which runs along the southern boundary of the airport • Remarkables Park Limited lodged an appeal on the Environment Court's decision, however no decision has been issued • Purchase of 83 McBride and 98B and 79 McBride Street within the inner noise boundary.
QAC will continue to ensure that its planning is closely integrated to the long-term planning by QLDC for the Frankton Flats, Wakatipu Basin, and Wanaka environs.	• Participate and contribute to long-term planning initiatives led by QLDC or its strategic partners, including transport projects, Frankton Flats Master Plan, Wanaka Master Plan and other initiatives as they may arise.	• Partially achieved	• Manifestation of surface connectivity & sustainability in the QAC Master Plan	• Ongoing	• Continued to represent the airport at national (NZTA), regional (ORC) and local (QLDC) discussions to ensure a fully-integrated regional transport strategy.

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	ONE TEAM STRATEGY *Working together to deliver the best outcomes for all*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Achieve Zero Harm (People and Environmental Incident) through leadership focused on health, safety and risk management, clear accountabilities and effective systems	• Continue to engage the wider airport community in a collaborative approach toward continuous improvement in site health and safety. • Promote a 'just culture' and open reporting system where we focus on key learnings. • Maintain effective Health & Safety environmental systems which exceed legislative requirements. • Regularly review the QAC Business Continuity Management (BCM) framework to reflect the size and response scale of operation. • Continue to practise and stress-test our emergency preparedness (Airport Emergency Plan). • Develop and implement contractor health and safety prequalification process.	• Achieved • Achieved • Achieved • Achieved • Achieved • Achieved	• Target = achieve zero harm to people and environment • Implement comprehensive layered audit programme • 'Just culture' procedures embedded in business as usual operations • Achieve Operating and Effective level of ICAO/CAR based Safety Management System following CAA 2018 Audit • Stress-test BCM plan/contingency procedures • Further non-aeronautical (i.e. earthquake, terminal fire) exercises planned and delivered to stress-test our emergency preparedness • Implement contractor prequalification process.	• Ongoing • Ongoing • Ongoing • Ongoing • December 2018 • June 2018 onwards • Dec 2018	• Achieved zero harm to employees and contractors for the previous 12 months • Introduction of the first Airport security week, a series of activities and workshops with a focus on keeping our staff and passengers safe • Implementation of asbestos management process • Introduction of on-line induction for contractors • Improving lighting on the apron for early morning and after-dark operations • Adoption of 'Bow Tie Critical Risk Management' framework • Implemented contractor pre-qualification process in a bid to further improve contractor safety performance and collaboration with minimum safety criteria before contractors may submit proposals
Invest in our team's development and well-being and build an empowered one team culture	• Continue to embed QAC's values throughout the company and wider airport community. • Consolidate the wellbeing programme across the organisation.	• Achieved • Achieved	• Employee surveys completed on a regular basis • Staff feel valued and are recognised for a job well done • High level of engaged and motivated staff	• Ongoing • Ongoing • Ongoing	• Continued annual engagement survey with pulse check surveys completed throughout the year on key areas to ensure regular monitoring and feedback • Launch of Company Strategy House which sets out the Company's aspiration, purpose,

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	ONE TEAM STRATEGY *Working together to deliver the best outcomes for all*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
	• Promote diversity in all of its dimensions across the team				major streams of work or themes, and key priorities. Work to embed the Strategy House into the team day-to-day is underway • Health and well-being programme continued with team building events, annual health check-up, flu-shots, well-being subsidy • Programme expanded to include 'Lunch n Learn' events to upskill team members in key areas. • Commitment to the Pride Pledge as part of NZ Winter Pride week for the next three years to promote and encourage diversity within our team, including a Lunch n Learn to celebrate diversity within the workplace • Achieved a 50/50 split male/female within the team, Including the Senior Leadership team • Investing in Rescue Fire training in Australia and at Auckland Airport, as well as building an on-site training facility
Create a deep understanding of our customers, their needs and desires - and how they'll change - to provide a memorable airport experience and	• Consolidate the data sets built over the past 18 months to build a comprehensive framework of customer insights.	• Partially achieved	• Create customer experience and journey framework	• December 2018	• Work commenced on creating the customer journey framework and mapping • QRIOUS and DKMA data sets combined and baseline presentation created for public

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	ONE TEAM STRATEGY *Working together to deliver the best outcomes for all*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
effective value propositions					information and community presentations
Work with our airline & airport partners to optimise operational efficiency and visitor experience through lean and continuous improvement initiatives	• Work with airline, agency and other airport stakeholders to deliver cross-airport process improvement using lean and other tools.	• Achieved	• Utilise lean methodology for the assessment and evaluation of Pathway Strategy projects.	• FY18 and FY19	• Implemented online application forms (Docusign) for commercial operators to apply for transport access, streamlining the process and reducing our water, waste and CO_2 emissions

	ONE TEAM STRATEGY *Working together to deliver the best outcomes for all*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Build engagement with stakeholders and the wider region to connect more deeply with the community served by the airport	• Proactive and regular communication with stakeholders. • Use our company values to identify/refine community engagement opportunities. • Participate in community discussions to help maintain visitor experience and quality of life for permanent resident base. • Be a leader, working collaboratively at a local, regional and national level to find solutions to the region's destination management issues.	• Achieved • Partially achieved • Achieved • Achieved	• QAC staff are recognised leaders and role models among the wider airport team and community • High level of engaged and motivated staff • Supportive environment for wider airport community to work as one team	• Ongoing • Ongoing • Ongoing	• Regular engagement and communication with community and stakeholders via bi-monthly ZQN News, email newsletters to Wanaka community and registered members of Engagement HQ. • Continued team representation at stakeholder and community events including NZ Airports Association conference, Government events, Shaping our Future and Council-led workshops, Chamber and Regional Tourism Operator updates. • Creation of a new People and Culture Manager role to help support our one team culture to provide a diverse and supported team • The annual engagement survey satisfaction score was 78% an increase of 5% year-on-year
Implement the noise management plan to mitigate noise impacts and address community concerns	• Mitigation work will continue rolling out for homes in the inner noise sector. • Commence work on homes in the mid noise sector. • Noise mitigation works to continue in annual or two-yearly tranches for the next 20 years.	• Partially achieved • Partially achieved • Partially achieved	• Airport noise, as measured, is within the levels set in the District Plan • Inner noise sector mitigation works underway, mid noise sector consultation commences. • Regular, accurate and relevant communications	• Testing program to monitoring noise levels is ongoing • Ongoing • Ongoing	• Active management and monitoring of General Aviation flight paths to minimise noise disruption • Continue to deliver on inner noise programme • Noise assessment undertaken to facilitate detailed design of Inner House mitigation works

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	ONE TEAM STRATEGY *Working together to deliver the best outcomes for all*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Optimise facilities and infrastructure to reduce energy consumption, reduce waste and enhance environmental sustainability	• Reduce the climate change impacts of Queenstown Airport and realise cost savings from energy and fuel efficiencies. • Set targets for annual total potable water consumption, annual total potable water savings and uptake water efficient technologies and opportunities. • Set targets for annual waste production, annual waste recycled, and annual waste minimised. • Build targeted supply chain partnerships to enhance Queenstown Airport's sustainability performance • Set annual environmental performance targets, identify opportunities and implement projects to enhance NZ's biodiversity. • Identify an appropriate sustainable business accreditation to measure and benchmark ongoing improvement in environmental sustainability.	• Partially achieved • Partially achieved • Partially achieved • Partially achieved • Partially achieved • Partially achieved	• Refer Aeronautical Strategy targets • Quarterly report to the Board • Baseline metrics and measurements established in line with a sustainable business accreditation process.	• Refer to Aeronautical Strategy timing • March 2017 ongoing • June 2017 ongoing	• Environmental Management Plan developed and endorsed by QAC Board and benchmarking underway to ratify targets • Relocated waste management area and introduced a waste compactor • Introduced Electric Vehicle (EV) to QAC vehicle fleet • Implemented electrification of apron through installation of vehicle charge points • Joint procurement with Auckland Airport of smart charging Stations • Alteration of AvSec Level 4 area layout to eliminate manual handling injuries • Successful procurement of terminal cleaning services contract • Engaged in procurement of security system maintenance and landscaping services. • Completion of terminal water ring main to improve water pressure

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	ONE TEAM STRATEGY *Working together to deliver the best outcomes for all*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Fund airport strategies cost-effectively	• Prepare a funding strategy for the Master Plan capital requirements.	• Achieved	• Long term funding strategy completed	• Jun 2019	• Long-term funding strategy completed as part of the Master Plan process
Technology improvements to improve visitor experience, business resilience and operational efficiency	• A technology innovation strategy is developed to improve customer experience and increase adaptability for disruptive technologies. • A Business Intelligence road map is developed to support decision making and lead to operational optimisation. • Technology resilience is improved to support business continuity and disaster recovery.	• Achieved • Achieved • Achieved	• Technology Innovation phase 1 is implemented • Business Intelligence for airline data and regional visitor trend data is implemented • Backup as a Service is implemented • Cyber security improvements are implemented	• Jun 2019 • Dec 2018 • Jan 2019 • Dec 2018	• Innovation strategy completed and endorsed by the Board • Internal innovation team formed to implement and further develop the innovation strategy • Cyber Security training up-loaded to Litmos e-learning with all QAC staff now completed the course • 'Backup as a Service' in place and operational • Airline business intelligence completed and in use daily • Implemented redundant external connectivity to improve resilience • Installed improved FIDS screens throughout the terminal to improve visibility for customers and enable enhanced advertising facilities

	WANAKA STRATEGY *Connecting Wanaka sustainably*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Develop a Master Plan for Wanaka Airport with input from the community, that provides a spatial framework for the airport's future	• Get a deeper understanding of the opportunities, issues and considerations relevant to Wanaka by working with the communities and stakeholders on a long-term vision. • Based on the process followed for the Queenstown Airport Master Plan, prepare a Master Plan for Wanaka Airport which explores feasible opportunities to develop Wanaka Airport and contribute to services across the region. This will include technical studies, options, infrastructure and certification required, funding models, and timelines.	• Achieved • Partially achieved	• Community engagement on vision for airport completed • Community engagement on Master Plan completed • Draft Master Plan completed	• June 2018 • June 2020 and on-going	• Held visioning workshops with the Wanaka community and stakeholders in May 2018, followed by online engagement and surveys held in June/July 2018 • Communications around the dual-airport model on-going with online platform EHQ, 2:2 sessions, and Meet the Community event to share our current thinking • Continued attendance at stakeholder and community events and workshops • Work is underway as part of the Master Plan process on several workstreams including technical studies, infrastructure, funding models and timelines for sharing with the community following QLDC's spatial master plan
Foster an airport community culture focused on health, safety and risk management, clear accountabilities and effective systems	• Review/update systems and procedures to reflect new airport lease • Review Airfield Conditions of Use. • Develop site safety forum.	• Partially achieved • Achieved • Achieved	• All WKA aeronautical documentation reviewed and registered as controlled document • Review Airside Safety Regulations including vehicle and driver permits • 12-month schedule of meetings agreed	• Dec 2018 • July 2019 • Dec 2018	• Continuation of the bi-monthly health and safety meetings with operators to ensure safe operating procedures and a 'just culture' of incident reporting. • Review of airspace procedures to ensure safe joining of aircraft to the circuit

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	WANAKA STRATEGY *Connecting Wanaka sustainably*				
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Progress**
Work towards becoming an economically viable and sustainable business	• Work with airport operators on developing a sustainable commercial pricing model and transition plan. • Market valuations and benchmarking, transition to new model by March 2019. • Evaluate other opportunities to generate sustainable returns which complement the Master Plan process.	• Achieved • Achieved • Not Achieved	• Airport community engaged throughout the process • Leases and Licences reviewed and up to date, including for activities and events	• July 2018 • June 2019	• Transition plan to market rents implemented with operators. • Renovation of current building into new offices for the Wanaka team, utilising solar panels for heating and air circulation, plus ultra-fast fibre to provide connectivity direct to the Queenstown Operations Centre day-to-day and for emergencies
Work with key partners to ensure airport and connecting infrastructure supports the safe and efficient movement of people around the region and provides an outstanding visitor experience	• Work with key partners to develop an integrated approach to planning and development in the Wanaka region, including and development, transport and air connectivity. • Achieve Acquiring Authority status for Wanaka Airport. • Acquire or rationalise land holdings to support our strategies.	• Achieved • Partially achieved • Not achieved	• Engage and contribute to the development of an Integrated Wanaka Transport Business Case (subject to agreement of approach with the Regional Transport Governance Group). • Apply for Requiring Authority Status with support from QLDC.	• Ongoing • June 2019	• Representation and input on the Wanaka Town Centre Master Plan reference group. • Continued involvement in the Regional Transport Group to find collective solutions to ground transport pressures • Application for Acquiring Authority Status with support from Council. Decision outstanding • Renovation of on-site building into new offices for the Wanaka-based team, including solar panels for power, ultra-fast fibre for improved connectivity, including direct communications to the Queenstown Operations Centre for emergency management

Statement of Intent

The Company's annual Statement of Intent (SOI) provides a list of objectives to be achieved in the next financial year and its performance against these is measured, reported and audited as part of the Statement of Service Performance.

Year Ended 30 June 2019	ACT	Forecast	VAR
$'000	FY2019	FY2019	FY2019
Total Revenue	49,635	50,118	(483)
Total Operating Expenditure	15,295	16,114	(819)
EBITDA	**34,340**	**34,005**	**335**
Interest Expense	2,943	3,757	(814)
Depreciation & Amortisation	8,319	9,594	(1,275)
Profit Before Tax	23,078	20,653	2,425
Net Profit After Tax	**16,590**	**13,965**	**2,625**
Dividend for the period	8,295	6,983	1,312
Total Assets	371,084	455,914	(84,830)
Shareholders Funds	284,133	279,034	5,099
Capital Expenditure	23,937	106,351	(82,414)
Closing Debt	62,700	147,465	(84,765)
Total PAX	**2,322**	**2,325**	**(3)**
Percentage International PAX	28%	29%	-1%
Total Revenue per PAX	$ 21.38	$ 21.55	($0.17)
NPAT per PAX	$ 7.14	$ 6.01	$ 1.13
Return on Equity (NPAT to SH Funds)	5.8%	5.0%	
Return on Assets (NPAT to Total Assets)	4.5%	3.1%	
EBITDA > 2 times funding expense	11.7	9.1	
Shareholders Funds to Total Tangible Assets > 50%	76.3%	60.8%	

Slightly lower than expected passenger performance and postponed commencement of specific new commercial revenue streams resulted in Total Revenue of 1% below forecast. Total Operating Expenditures was 5% favourable to forecast due to strong cost management, resulting in savings in consultancy services and salaries and wages. As a result, EBITDA was 1% higher than forecast.

Interest costs and Depreciation & Amortisation were lower than forecast due to the timing of capital expenditure. Tax expense reflects an effective tax rate of 28.1%, resulting in NPAT of 19% favourable to forecast.

Total Assets and Capital Expenditure was lower than forecast due to timing of capital expenditure.

Dividend for the year of $8.2 million was 50% of NPAT, in accordance with the forecast percentage rate.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Queenstown Airport Corporation Limited the (company). The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 11 to 41,that comprise the statement of financial position as at 30 June 2019, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on pages 42 to 61.

In our opinion:

- the financial statements of the company on pages 11 to 41:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and

the performance information of the company on pages 42 to 61 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2019.

Our audit was completed on 20 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of shareholders taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit 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 company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 10, but does not include the financial statements and performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit of the financial statements and the disclosure financial statements, and the provision of advisory work consistent with our role as auditor, we have no relationship with, or interests in, the company.

B E Tomkins

B E Tomkins, Partner
for Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand