Queenstown Airport Corporation Limited

Disclosure Financial Statements for Financial Year Ended 30 June 2019

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Directors Report

The Directors have pleasure in presenting the Disclosure Financial Statements of Queenstown Airport Corporation Limited (the Company) for the year ended 30 June 2019. These statements present the results of the Identified Airport Activities of the Company and additional information and have been prepared for the purposes of, and in accordance with, the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014.

1. 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.

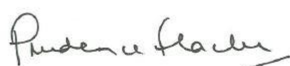
Details of the year under review and future prospects are included in the Chair and Chief Executive's Report.

2. 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

On Behalf of the Board



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)	30,178	27,545
Rental and other revenue	2(a)	553	984
Other gains	2(a)	10	41
Total income		**30,741**	**28,570**
Expenditure			
Operating expenses	2(b)	6,008	5,126
Employee benefits expense	2(c)	5,591	5,023
Total operating expenditure		**11,599**	**10,149**
Operating earnings before interest, taxation, depreciation and amortisation		**19,142**	**18,421**
Depreciation	6	6,003	5,514
Amortisation	7	325	656
Loss on revaluation of assets		-	52
Operating earnings before interest and taxation		**12,814**	**12,199**
Finance costs	3	3,885	3,614
Profit before income tax		**8,929**	**8,585**
Income tax expense	4	2,507	2,886
Profit for the year		**6,422**	**5,699**

The notes and accounting policies on pages 8 to 42 form part of and are to be read in conjunction with these financial statements.

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Statement of Comprehensive Income

For the financial year ended 30 June 2019

	Notes	2019 $ 000's	2018 $ 000's
Profit for the year		**6,422**	**5,699**
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)	(542)
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)	-	7,852
Income tax relating to gain on revaluation	11(b)	-	(681)
Other comprehensive income for the year net of tax		**(181)**	**7,047**
Total comprehensive income for the year, net of taxation		**6,241**	**12,746**

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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	3,277	3,032
Prepayments		290	312
Total current assets		**4,476**	**5,291**
Non-current assets			
Property, plant and equipment	6	196,584	186,518
Intangible assets	7	3,909	2,943
Total non-current assets		**200,493**	**189,461**
Total assets		**204,969**	**194,752**
Current liabilities			
Trade and other payables	9(e)	2,992	2,528
Employee entitlements	8	838	761
Derivatives	9(g)	252	-
Borrowings (secured)	9(f)	20,000	-
Current tax payable		1,458	2,040
Total current liabilities		**25,540**	**5,329**
Non-current liabilities			
Borrowings (secured)	9(f)	62,220	75,100
Derivatives	9(g)	577	136
Deferred tax liabilities	4	11,031	11,631
Total non-current liabilities		**73,828**	**86,867**
Total liabilities		**99,368**	**92,196**
Net assets		**105,601**	**102,556**
Equity			
Share capital	10	18,892	18,892
Retained earnings	11(a)	12,552	9,326
Asset revaluation reserve	11(b)	75,135	75,135
Cash flow hedge reserve	11(c)	(978)	(797)
Total equity		**105,601**	**102,556**

The notes and accounting policies on pages 8 to 42 form part of and are to be read in conjunction with these financial statements.

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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	**18,892**	**75,135**	**(797)**	**9,326**	**102,556**
Profit for the period	-	-	-	6,422	6,422
Other comprehensive income	-	-	(181)	-	(181)
Total comprehensive income for the period	**-**	**-**	**(181)**	**6,422**	**6,241**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(3,196)	(3,196)
At 30 June 2019	**18,892**	**75,135**	**(978)**	**12,552**	**105,601**

	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	**18,892**	**67,965**	**(674)**	**6,815**	**92,998**
Profit for the period	-	-	-	5,699	5,699
Other comprehensive income		7,170	(123)	-	7,047
Total comprehensive income for the period	**-**	**7,170**	**(123)**	**5,699**	**12,746**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(3,188)	(3,188)
At 30 June 2018	**18,892**	**75,135**	**(797)**	**9,326**	**102,556**

The notes and accounting policies on pages 8 to 42 form part of and are to be read in conjunction with these financial statements.

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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		30,548	28,366
Interest received		22	13
Payments to suppliers and employees		(12,412)	(10,432)
Interest paid		(2,910)	(1,608)
Income tax paid		(3,639)	(2,040)
Net cash inflow from operating activities	15(c)	**11,609**	**14,299**
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,410)	(21,310)
Purchase of intangible assets		(1,206)	(753)
Net cash outflow from investing activities		**(15,616)**	**(22,063)**
Cash flows from financing activities			
Net proceeds from borrowings/(repayments)		6,214	11,934
Dividends paid to equity holders of the parent		(3,196)	(3,188)
Net cash inflow/(outflow) from financing activities		**3,018**	**8,746**
Net increase/(decrease) in cash and cash equivalents		**(989)**	**983**
Cash and cash equivalents at the beginning of the financial year		**1,898**	**915**
Cash and cash equivalents at the end of the financial year	15(a)	**909**	**1,897**

The notes and accounting policies on pages 8 to 42 form part of and are to be read in conjunction with these financial statements.

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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 25 October 2019.

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 1997 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 ("The Regulations"), as amended in 2014.

The disclosure financial statements are for the reporting entity's Identified Airport Activities. Identified Airport Activities are defined as:

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

a) The provision of any one or more of the following:
   - airfields, runways, taxiways, and parking aprons for aircraft
   - facilities and services for air traffic and parking apron control
   - airfield and associated lighting
   - services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft
   - rescue, fire, safety and environmental hazard control services
   - airfield supervisory and security services

b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

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

a) The provision, within a security area or security areas of the relevant airport of any one or more of the following:
   - Passenger seating areas, thoroughfares and air bridges
   - Flight information and public address systems
   - Facilities and services for the operation of customs, immigration and quarantine checks and control
   - Facilities for the collection of duty-free items
   - Facilities and services for the operation of security and police services

b) Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check-in of aircraft passengers, including services for baggage handling:

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c) The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime); but does not include the provision of any space for retail activities.

The Company is not deemed to have any material "Aircraft and freight activities".

Each of the Identified Airport Activities also includes an allocation of roading leading to the airport and supporting infrastructure. Also included in each of the above Identified Airport Activities are assets specifically held for use in that activity. This does not include the provision of any space for retail activities.

The numbers presented in these financial statements are for the Identified Airport Activities unless it is stated "for Whole Company".

(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

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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.

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 (not aeronautical revenue)

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

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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 year to 30 June 2018, the Company received the transfer of QLDC's interest in 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.

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(g) Taxation

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

(i) Current Tax

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.

(ii) Deferred Tax

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.

(iii) Goods and Services Tax (GST)

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.

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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.

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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. Hedge effectiveness documentation was prepared for the cashflow hedges at 1 July 2018, 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 cost

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.

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(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.

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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).

(n) Segment Reporting

For the purposes of reporting in accordance with section 8(3) of the Airport Companies Information Disclosure Regulations 1999, as amended in 2014, the Company reports on the industry segments as airfield activities and specified terminal passenger activities (the Company has no material activities in aircraft and freight activities). These have been treated as operating segments to meet the requirements of the Airport Companies Information Disclosure Regulations 1999, as amended 2014, and the Airport Authorities Act 1966.

(o) Allocation Methodologies

The disclosure financial statements are prepared in accordance with the Airport Authorities Act 1966 and present only the Company's Identified Airport Activities. In order to report the financial results of the Identified Airport Activities, the company performs allocations on shared expenditure, assets, debt and equity balances. The allocation rules used require the use of judgement and assumptions to determine the values recorded in the disclosure financial statements and are consistent with the methodology used to determine the price charged for Airfield and Aero-terminal activities. Changes to assumptions will result in changes to the disclosure financial statements.

The allocation methodologies used in the disclosure financial statements are summarised in note 19 of the additional information required by the disclosure regulations set out in the Act.

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2. Surplus from Operations

(a) Revenue from contracts with customers

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

		2019 $ 000's	2018 $ 000's
Revenue Category	*Timing of revenue recognition*		
Scheduled Airlines and General Aviation	At Point of Time	29,028	26,528
Parking	Over Time	397	390
Recoveries	Over Time	753	627
Total revenue from contracts with customers		**30,178**	**27,545**
Lease rental revenue		553	984
Other revenue		10	41
Total rental and other revenue		**563**	**1,025**
Total Revenue		**30,741**	**28,570**

(b) Operating Expenses

Operating expenses include the following

	2019	2018
Audit fees (whole company) - disclosure financial statements	26	26
Audit fees (whole company) - financial statement audit	65	63
Other non-audit fees (whole company)	12	-

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

(c) Employee Benefits Expense

	2019	2018
Salaries and wages	5,387	4,824
Directors fees	204	199
Total Employee Benefits Expense	**5,591**	**5,023**

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	(271)	(18)
Interest on Internal Debt	906	1,141
Total Finance Costs	**3,885**	**3,614**

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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	3,015	3,072
Adjustments for prior years	22	16
	3,037	**3,088**
Deferred tax expense/(income)		
Origination and reversal of temporary differences	(406)	(72)
Adjustment for prior year and other	-	(11)
Amortisation of tax component of derivatives	(124)	(119)
	(530)	**(202)**
Total Tax Expense	**2,507**	**2,886**

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	**8,929**	**8,585**
Income tax expense calculated at 28%	2,500	2,404
Permanent differences	147	136
Creation/reversal of temporary difference	(16)	465
Amortisation of tax component of derivatives	(124)	(119)
Income Tax Expense	**2,507**	**2,886**

(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).

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(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	(11,224)	371	-	(10,853)
Intangible assets	(441)	(82)	-	(523)
Employee benefits	100	13	-	113
Derivatives	38	-	194	232
Trade and other payables	(104)	104	-	-
	(11,631)	**406**	**194**	**(11,031)**

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	(10,443)	(100)	(681)	(11,224)
Intangible assets	(625)	184	-	(441)
Employee benefits	89	11	-	100
Derivatives	(74)	-	112	38
Trade and other payables	(81)	(23)	-	(104)
	(11,134)	**72**	**(569)**	**(11,631)**

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. 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 (For Whole Company)

	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**

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5. Trade & Other Receivables

	2019 $ 000's	2018 $ 000's
Trade and other receivables	**3,277**	**3,082**

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

2019	Cost/ Valuation $000	Accumulated Depreciation $000	Net Book Value $000
Land	75,191	-	75,191
Right of use Asset	11,340	(113)	11,227
Buildings	44,692	(2,019)	42,673
Runways, Taxiways & Aprons	55,741	(2,265)	53,476
Plant & Equipment	24,044	(10,027)	14,017
	211,008	**(14,424)**	**196,584**

2018	Cost/ Valuation $000	Accumulated Depreciation $000	Net Book Value $000
Land	74,943	-	74,943
Right of use Asset	11,340	-	11,340
Buildings	37,894	-	37,894
Runways, Taxiways & Aprons	48,877	-	48,877
Plant & Equipment	21,885	(8,421)	13,464
	194,939	**(8,421)**	**186,518**

(b) Revaluation of land, right-of-use asset, buildings, runways, taxiway and aprons and property, plant and equipment (For Whole Company)

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

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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)

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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	4,620	3,791
Additions from internal developments	1,291	829
Total cost closing balance	**5,911**	**4,620**
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	**3,909**	**2,943**

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	433	412
Annual leave	405	349
Total Employee Entitlements	**838**	**761**

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9. Financial instruments

(a) Foreign Exchange Risk Management (For Whole Company)

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 (For Whole Company)

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 (For Whole Company)

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	**2,992**	**2,992**	2,992	-	-	-
Borrowings (external)	**62,700**	**62,700**	-	20,000*	-	42,700
Borrowings (internal)	**19,520**	**19,520**	-	-	-	19,520
Derivative financial instruments	**829**	**-**	-	252	57	520
30-Jun-18						
Trade and other payables	**2,527**	**2,527**	2,527	-	-	-
Borrowings (external)	**57,000**	**57,000**	-	-	-	57,000
Borrowings (internal)	**18,100**	**18,100**				18,100
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	1,212	1,111
Other creditors and accruals	1,780	1,416
Total Trade and Other Payables	**2,992**	**2,528**

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

(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	-	-
Internal Debt from Commercial Activities			n/a	19,520	18,100
Total Borrowings			**220,000**	**82,220**	**75,100**
Disclosed in the financial statements as:					
Current				**20,000**	**-**
Non-current				**62,220**	**75,100**

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.

Auckland Airport Holdings (No.2) Limited has been issued shares in the whole company, a proportion of which has been included within these disclosure financial statements. The result of this allocation is that specified airport activities reflected in these financial statements have a higher allocation of debt than the position for the whole company, with internal debt of $19.52 million (2018: $18.1 million) from the commercial activities. This impacts the finance costs reflected in these disclosure financial statements. The finance costs recognised within the disclosure financial statements have been calculated using the weighted average interest rate of 4.51% (2018: 4.04%) applied to the allocated debt.

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(g) Derivatives (For Whole Company)

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	3,032	3,032
Current financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	(2,528)	(2,528)
Non-current financial liabilities				
Derivatives	FVOCI*	FVOCI*	(136)	(136)
Borrowings	Amortised cost	Amortised cost	(75,100)	(75,100)

* 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.000'	2018 No.000'	2019 $ 000's	2018 $ 000's
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	7,142	7,142	18,892	18,892
Balance at End of Year	**7,142**	**7,142**	**18,892**	**18,892**

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

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11. Retained Earnings and Reserves

(a) Retained Earnings

	2019 $ 000's	2018 $ 000's
Balance at the beginning of the year	9,326	6,815
Profit for the year after taxation	6,422	5,699
Dividends paid during the year	(3,196)	(3,188)
Balance at End of Year	**12,552**	**9,326**

Dividends Paid

	2019 $ 000's	2018 $ 000's
Final Dividend	2,751	2,743
Interim Dividend	445	445
Total Dividend Paid	**3,196**	**3,188**

On 15th February 2019 an interim dividend of 6.23 cents per share (total dividend For Whole Company 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 For Whole Company 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	75,135	67,965
Increase arising on revaluation of assets	-	7,852
Deferred tax movement arising on revaluation	-	(681)
Balance at End of Year	**75,135**	**75,135**

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 (For Whole Company)

	2019 $ 000's	2018 $ 000's
Balance at the beginning of the year	(797)	(674)
Gain/(loss) recognised on interest rate swaps	(708)	(490)
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 (For Whole Company)

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

13. Operating Lease Arrangements (For Whole Company)

(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**

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14. Related Party Disclosures (For Whole Company)

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.

	2019	2018
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.

	2019	2018
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:

	2019	2018
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	75,100	7,120	82,220
2018 Borrowings	61,706	13,394	75,100

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

	2019 $ 000's	2018 $ 000's
Profit for the year	**6,422**	**5,699**
Add/(less) non-cash items:		
Amortisation	325	656
Depreciation and impairment	6,003	5,566
Unwind of deferred tax liability to tax expense	(406)	(72)
Other	950	1,623
	6,872	**7,773**
Changes in assets and liabilities:		
Increase in trade and other receivables	(195)	(220)
Increase/(decrease) in prepayments	22	(184)
Increase/(decrease) in current tax payable	(601)	1,038
Increase/(decrease) in trade and other payables	484	(927)
Increase in employee entitlements	77	166
Movement in items reclassified as investing and financing activities	(1,472)	1,054
	(1,685)	**827**
Net Cash Inflow from Operating Activities	**11,609**	**14,299**

16. Contingent Liabilities (For Whole Company)

(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 (For Whole Company)

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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Identified Airport Activities Reporting

18. Segment Information

The preparation of the disclosure financial statements requires the identification and presentation of aeronautical activities, as presented above. In addition to this the Company is required to present segmented information for Identified Airport Activities. These activities are defined in the Airport Authorities Act 1966 (and subsequent amendments). The Identified Airport Activities are as follows:

(i) Airfield activities:
(ii) Aircraft and freight activities:
(iii) Specified passenger and terminal activities.

Management have assessed the aeronautical activities of the Company against these definitions and allocated them as appropriate. Through this assessment management determined that no material "Aircraft and freight activities" are undertaken by the Company, therefore only the remaining two segments have been reported on.

The company is located in one geographic segment in Queenstown Lakes District, New Zealand, and operates in the airport industry. The company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

The Company's top two customers represent 79% (2018: 80%) of revenue from substantial customers. This equates to $22,265k (2018: $20,563k).

The next two largest customers represent 21% (2018: 20%) of revenue from substantial customers. This equates to $5,803k (2018: $5,086k).

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18. Segment Information (cont.)

At 30 June 2019	Specified Terminal $000	Airfield $000	Total $000
External revenue			
Airport charges	11,849	17,803	29,653
Licences & aircraft parking	313	765	1,078
Interest revenue	-	8	8
Other gains	-	2	2
Total revenue	**12,162**	**18,578**	**30,741**
Expenses			
Operating expenses	2,945	2,139	5,084
Administration	115	95	210
Repairs & maintenance	378	337	714
Employee benefits expense	2,175	3,416	5,591
Depreciation expense	3,069	2,934	6,003
Loss on revaluation of assets	-	-	-
Amortisation	-	325	325
Finance costs	1,611	2,274	3,885
Total expenses	**10,293**	**11,520**	**21,812**
Segment profit before income tax	**1,869**	**7,058**	**8,929**
Subvention payment			-
Income tax expense			2,507
Profit for the year			**6,422**
Segment total assets	**84,982**	**119,987**	**204,969**
Additions of property, plant & equipment, included in segment assets	8,310	7,770	16,080
Average number of full-time staff equivalents	28	35	63

There are no significant inter-segment transactions.

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18. Segment Information (cont.)

At 30 June 2018	**Specified Terminal $000**	**Airfield $000**	**Total $000**
External revenue			
Airport charges	11,771	15,283	27,053
Licences & aircraft parking	429	1,047	1,476
Interest revenue	6	7	13
Other gains	-	28	28
Total revenue	12,206	16,364	28,570
Expenses			
Operating expenses	2,498	1,835	4,334
Administration	75	151	225
Repairs & maintenance	361	207	568
Employee benefits expense	1,818	3,205	5,023
Depreciation expense	3,093	2,421	5,514
Loss on revaluation of assets	-	52	52
Amortisation	-	656	656
Finance costs	1,489	2,125	3,614
Total expenses	9,333	10,652	19,986
Segment profit before income tax	**2,873**	**5,712**	**8,585**
Subvention payment			-
Income tax expense			2,886
Profit for the year			**5,699**
Segment total assets	**80,257**	**114,495**	**194,752**
Additions of property, plant & equipment, included in segment assets	4,522	15,760	20,282
Average number of full-time staff equivalents	22	29	51

There are no significant inter-segment transactions.

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19. Allocation Methodology used in the preparation of these statements

(a) Revenue Categories

Revenue falls into one of the following categories:

- Passenger/Landing Charges, this relates to the revenue that is directly attributable to aircraft landings and the associated passenger charge. This revenue is directly allocated to the Identified Airport Activities based on the nature of the charge.
- Licenses, leases and Aircraft Parking, this is the revenue from aircraft parking and the revenue from licenses and leases relating to aviation services. This revenue is directly allocated to the Identified Airport Activities based on the nature of the customer utilising these services.

(b) Expenditure Categories and Allocation

Expenditure falls into one of the following categories:

- Direct operating costs, those costs which are incurred solely by Identified Airport Activities, or another business unit of the airport, and have been allocated directly to that activity.
- Indirect operating costs, are either incurred by a number of Identified Airport Activities, or in conjunction with other business units. Indirect costs primarily relate to terminal related activities and an allocation is applied to determine the Specified Terminal (Identified Airport Activity) element of the cost. The Company allocates indirect costs on a share of space attributable to each activity in the terminal building, consistent with the most recent aero-pricing consultation. Each year an analysis is performed of space in the terminal building attributed to Identified Airport Activities versus non-Identified Airport Activities.
- Non-operating costs have been allocated to the Identified Airport Activities on the following basis:
    - Depreciation is allocated across Identified Airport Activities consistent with the methodology used for assets (see below).
    - Interest expense is allocated across Identified Airport Activities consistent with the methodology used for debt (see below).
    - Taxation is allocated across Identified Airport Activities based on a consistent allocation methodology applied to the relevant assessable expenses, for asset allocation (see below) and expenses (see above).

Expense items are generally analysed at the business unit level, however further analysis is conducted where significant costs within a business unit are known to have a different driver.

(c) Allocation of Assets

The Company maintains a detailed property, plant and equipment register. Each asset has been coded directly to an Identified Airport Activity, other business units (non-Identified Airport Activity) or allocated as follows. Fixed assets have been allocated to the following categories as appropriate:

- Directly assets, those assets which are directly allocated to an Identified Airport Activity based on their nature.
- Indirect assets, those assets that relate to a number of Identified Airport Activities, or are used in conjunction with other business units of the airport. These assets are allocated using appropriate methodology to determine the portion of the asset that relates to each Identified Airport Activity. Material asset classes and allocation methodologies are:
    - Terminal assets, including buildings, have been allocated on the basis of an area analysis of terminal usage.
    - Land held for future airport development has been allocated between the various activities based on its intended future use.
    - Corporate/Office assets, including plant, equipment, furniture and fittings, have been allocated on the proportions of operating expenditure across the Identified Airport Activities applied in the income statement.

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(d) Allocation of Debt

Debt is allocated between Identified Airport Activities on the assumption that it represents the net position of the activities after all other cash flows. It represents intra-segmental borrowing.

(e) Allocation of Equity

The equity position of the Identified Airport Activities is allocated with reference to the following for those activities:

- The opening level of equity.
- Adjustments for movements due to net profit less dividends.
- Adjustments for any capital issued or repaid.

20. Weighted Average Cost of Capital

The Company has estimated the prospective weighted average cost of capital (WACC) for its identified airport activities as at 1 July 2018, being the commencement of the current disclosure period.

The Company has applied a post-tax WACC model. The post investor tax version of the capital asset pricing model (CAPM) has been used to estimate the appropriate cost of equity capital. The debt premium has been based on the estimated margin over the 10-year swap rate yields. The yield, and therefore the cost of debt, reflects the market conditions as at 1 July 2018. This is consistent with the approach used by the Company in aeronautical pricing.

The following table summarises the key parameters used in the company WACC model.

	2019	**2018**
	Parameter	**Parameter**
Risk free rate – 10 year swap rate yields	3.16%	3.23%
Market risk premium	7.50%	7.50%
Company tax rate	28.0%	28.0%
Debt / (Debt + Equity)	25.0%	25.0%
Debt premium	1.99%	2.39%
Business risk factor (asset beta)	0.65	0.65
Calculated WACC	**7.51%**	**7.63%**

The company revises its WACC periodically to coincide with its aeronautical pricing consultation processes or as required prior to a major aeronautical investment. The calculation of WACC for a particular portion of a company is subject to variables that require expert assessment and judgement.

The Company uses a generally-accepted approach to the calculation of the WACC. This represents the weighted average costs of equity (adopting the simplified version of the Brennan-Lally CAPM) plus the cost of debt, net of corporate tax deductions, as follows:

$$WACC = r_D \times (1 - T_C) \times (D/V) + r_E \times (E/V)$$

Where

r_D=The Company's pre-tax cost of debt.
T_C = The corporate tax rate.
D=The value of the Company's debt.
r_E=The Company's post –tax cost of equity.
E=The value of the Company's equity.
V=The Company's total enterprise value, i.e. (V = E + D).

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21. Methodology Used to Determine Airport Charges

Airport charges applying for the disclosure period in respect of airfield and terminal building use for Regular Air Transport Operations were set as at 1 July 2012.

The determination setting the charges included the following key attributes:

- A long run marginal cost model (the Model) was developed in 2012 in consultation with the Company's Substantial Customers in accordance with Section 4B of the Airport Authorities Act 1966.
- The Model derives breakeven Base Aeronautical Charges for turboprop, domestic jet and international jet operations based on the Company's WACC.
- Base Aeronautical Charges fund Identified Airport Activities existing on 1 July 2012 with the exception of those activities relating to General Aviation that are funded by their own charges.
- Substantial capital expenditure that may occur during the period covered by the Model will be subject to Development Asset Charges derived by a mechanism consulted upon during the review.
- The Model is intended to operate for nine years from 1 July 2012.
- A formal review of the Model was carried out as at 1 April 2018 for the FY19 year, this review is primarily to update the base charge and the development asset charges for differences between forecast and actual levels of passenger numbers and movements in various WACC parameters.
- In addition to the three yearly review, an annual reset is performed which updates the Development Asset (DA) Charges (capex and incremental opex). The reset involves updating passenger number forecasts, the movements in WACC parameters, actual and forecasted capital spend and any incremental opex associated with the asset. This reset has no impact on the base charge.

Landing Charges for General Aviation and Helicopters were set to balance funding for General Aviation and Helicopter facilities.

22. Schedule of Airport Charges

(a) Regular Air Transport Operations

A flight forming part of a series of flights performed by aircraft for the transport of passengers, cargo, or mail between the Airport and one or more points in New Zealand or in any other country or territory, where the flights are so regular and frequent as to constitute a systematic service, whether or not in accordance with a published timetable, and which are operated in such a manner that each flight is open to use by members of the public.

(b) Maximum Certified Take-off Weight (MCTOW)

For an aircraft the lower of its maximum certified take-off weight as specified by the manufacturer (or as approved by the Civil Aviation Authority) and the maximum authorised operating weight as specified by the company.

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(c) Landing Charge – General Aviation

A landing charge is payable in respect of each arriving fixed wing aircraft that is not on a Regular Air Transport Operation, based on the MCTOW of the aircraft as set out in the table below.

Aircraft MCTOW (kg)	Charge (excl GST)
0 to 1,500	$21.25
1,501 – 2,000	$32.00
2,001 – 4,000	$69.25
4,001 – 5,700	$111.75
5,701 – 8,000	$191.50
8,001 – 10,000	$244.75
10,001 – 15,000	$372.50
15,001 – 20,000	$521.50
20,001 – 25,000	$681.25
25,001 – 40,000	$904.75
40,001 – 45,000	$1,011.25
45,001 and greater	$2,022.25

(d) Landing Charge – Helicopters

For each rotary wing aircraft arriving on any part of Queenstown Airport, including leased and licensed premises, a charge per landing is payable based on the helicopter's MCTOW as set out in the table below.

Helicopter MCTOW (kg)	Charge (excl GST)
0 to 1,100	$21.25
1,101 – 1,500	$32.00
1,501 – 2,000	$42.50
2,001 – 4,000	$69.25
4,001 – 5,700	$111.75
5,701 – 8,000	$191.50
8,001 – 10,000	$244.75
10,001 – 15,000	$372.50
15,001 – 20,000	$521.50
20,001 – 25,000	$681.25
25,001 and greater	$904.75

(e) Aircraft Parking Charge

For each aircraft parked in a designated aircraft parking area for a period in excess of three hours (aircraft with MCTOW greater than 5,700kg) or twenty four hours (aircraft with MCTOW at or below 5,700kg), an aircraft parking charge based on the aircraft MCTOW is payable per calendar day or part thereof as set out in the table below.

Aircraft MCTOW (kg)	Charge (excl GST)
0 to 1,500	$20
1,501 – 2,000	$30
2,001 – 4,000	$55
4,001 – 5,700	$90
5,701 – 10,000	$250
10,001 – 20,000	$500
20,001 – 30,000	$1,000
30,001 and greater	$1,500

For the purposes of aircraft parking charges, "designated aircraft parking area" means an aircraft parking area owned or leased by the Company other than an aircraft parking area which is subject to a lease or license granted by the Company.

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(f) Passenger Charges Regular Air Transport Operations for the period ending 30 June 2019

(i) Passenger Charge – International Jet Services

A charge of $19.21 (excluding GST) per embarking and disembarking passenger (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service. (2018: $21.05)

(ii) Passenger Charge – Domestic Jet Services

A charge of $9.30 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service. (2018: $9.67)

(iii) Passenger Charge – Domestic Turboprop Services

A charge of $8.59 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service. (2018: $8.46)

23. Baggage Make Up Charges

A charge of $0.48 per departing passenger in 2019 (2018: $0.53) is payable for use of Queenstown Airport's Baggage Make Up facility.

Baggage Make Up facility users also contribute to Specific Operating Expenses. The allocation of specific operating expenses between users is on the basis of a simple percentage calculated as:

$$\text{Percentage Cost Allocation for User A} = \frac{X}{Y}$$

Where:

$$X = \frac{\text{Total of User A's departing passenger numbers over the preceding 12 months.}}{\text{The number of months User A has operated at Queenstown Airport over the preceding 12 months.}}$$

Y= the sum of the Xs for all users of the Baggage Make Up facility.

As the Company's charges are determined on an aircraft arrival basis, the aircraft movements as required by the Airport Authorities Amendment Act 1997 are based on aircraft arrivals.

24. Landing Statistics

(a) Scheduled Domestic Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2019	Year to 30 June 2018
0 to 20,000	DH8C	-	-
20,001 – 26,000	ATR72	995	856
26,001 – 56,000		-	-
56,001 – 71,000	B737-300	-	-
71,001 and greater	A320 B737-800	5,371	4,970

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(b) Scheduled International Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2019	Year to 30 June 2018
0 – 71,000		-	-
71,001 and greater	A320 B737-800	1,362 1,146	1,306 943

(c) Other Landings

Aircraft MCTOW (kg)		Year to 30 June 2019	Year to 30 June 2018
All weights		20,400	21,774

(d) Passengers

Class of Passenger	Year to 30 June 2019	Year to 30 June 2018
Passengers arriving and departing on domestic flights	1,665,397	1,544,225
Passengers arriving and departing on international flights	655,950	596,444

25. Interruptions to Services

Interruption to services as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended 2014, is set out below.

(a) Planned Disruptions

Service	Number of Events		Total Duration (nearest 15mins)	
	Year to 30 June 2019	Year to 30 June 2018	Year to 30 June 2019	Year to 30 June 2018
Runway Services	-	-	-	-
Stand Position Services	-	-	-	-
Airbridge Services	-	-	-	-
Baggage Handling Services	-	-	-	-

(b) Un-planned Disruptions

Service	Number of Events		Total Duration (nearest 15mins)	
	Year to 30 June 2019	Year to 30 June 2018	Year to 30 June 2019	Year to 30 June 2018
Runway Services	-	1		75mins
Stand Position Services	-	-	-	-
Airbridge Services	-	-	-	-
Baggage Handling Services	-	-	-	-

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INDEPENDENT ASSURANCE REPORT
TO THE DIRECTORS OF QUEENSTOWN AIRPORT CORPORATION LIMITED

REPORT ON QUEENSTOWN AIRPORT CORPORATION LIMITED'S DISCLOSURE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Queenstown Airport Corporation Limited (the Company). The Company is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) to prepare disclosure financial statements for the Company's identified airport activities.

The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to provide a conclusion, in accordance with the Regulations, on the Company's disclosure financial statements. The disclosure financial statements comprise:

- financial statements only for the identified airport activities, and not for the other activities of the Company, prepared in accordance with generally accepted accounting practice; and
- additional information as specified in section 9 and Schedule 2 of the Regulations.

Unqualified Conclusion

It is our conclusion that the disclosure financial statements on pages 3 to 42 in all material respects:

- are fairly reflected, in accordance with the Regulations, and
- comply, subject to the Regulations, with generally accepted accounting practice in New Zealand.

Our work was completed on 25 October 2019. This is the date at which our conclusion is expressed.

The limitations and use of this report is explained below. In addition, we explain the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Limitations and use of this report

This independent assurance report has been prepared solely for the Directors of the Company in accordance with our responsibilities under the Regulations. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of the Company, or for any purpose other than that for which it was prepared.

The Regulations require the disclosure financial statements to include financial statements only for the Company's identified airport activities, which are part of the annual financial statements and performance information that we have previously audited. Other than as expressly stated below, we have not carried out any additional procedures on the financial statements for the Company's identified airport activities since signing our audit report on the Company's annual financial statements and performance information on 20 August 2019 which contained an unmodified opinion. Explanation of the scope of our audit engagement on the Company's annual financial statements and performance information is contained in that audit report.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance might occur and not be detected.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing disclosure financial statements that comply with the Regulations, and the associated guidelines issued under the Regulations, and subject to the Regulations, comply with generally accepted accounting practice in New Zealand.

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

The Board of Directors is also responsible for the publication of the disclosure financial statements, whether in printed or electronic form.

Our responsibilities

We are responsible for expressing an independent conclusion on the disclosure financial statements and reporting that conclusion to you based on our work. Our responsibility arises from the Regulations and from the Public Audit Act 2001.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* which has been issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website.

Our work has been carried out to obtain reasonable assurance about whether the disclosure financial statements are free from material misstatement, and have been prepared in accordance with the Regulations, in all material respects. Material non-compliance with the Regulations relates to differences or omissions of amounts and disclosures that would affect an overall understanding of the disclosure financial statements. If we had found material non-compliance that was not corrected, we would have referred to the non-compliance in our conclusion.

The Regulations require the disclosure financial statements to include financial statements for the Company's identified airport activities, which are only part of the annual financial statements that we have previously audited.

The financial statements for the Company's identified airport activities included in the disclosure financial statements have been extracted from the underlying accounting records of the Company, and our work on them was limited to:

- Obtaining an understanding of how the Company has met the requirements of the Regulations to determine it's identified airport activities.
- Obtaining an understanding of how the Company has determined its allocation methodology which has been used to allocate shared expenditure, assets, debt and equity balances.
- Evaluating how the allocation methodology has been applied by testing the allocation of shared expenditure, assets, debt and equity balances.
- Agreeing the amounts and disclosures in the disclosure financial statements to the Company's underlying records, and to the Company's audited annual financial statements and performance information, where appropriate.

We also performed procedures to obtain evidence about the amounts and disclosures in the additional information included in the disclosure financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the additional information, whether due to fraud or error or non-compliance with the Regulations. In making those risk assessments, we considered internal control relevant to the Company's preparation of the additional information in order to design 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 did not examine every transaction, nor do we guarantee complete accuracy of the disclosure financial statements. Also we did not evaluate the security and controls over the electronic publication of the disclosure financial statements.

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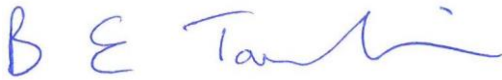
Independence and quality control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and

- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement carried out under the Regulations, our audit of the Company's annual financial statements and performance information 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, Partner
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand