Queenstown Airport Corporation Limited

Annual Report for Financial Year Ended 30 June 2020

Contents

Directory

BOARD OF DIRECTORS	Michael P Stiassny Norman J Thompson Mark R Thomson Adrienne F Young-Cooper Simon R Flood (appointed 14 December 2019) Grant R Lilly (resigned 25 October 2019) Prudence M Flacks (resigned 10 May 2020)
CHIEF EXECUTIVE OFFICER	R Colin Keel
AUDITORS	M Hawken of Deloitte Limited (on behalf of the Auditor General) PO Box 1245 Dunedin
BANKERS	BNZ Queenstown Store 11 Rees Street Queenstown Westpac Terrace Junction 1092 Frankton Road Queenstown ASB ASB House, Level 2 166 Cashel Street Christchurch Bank of China Level 17 205 Queen Street Auckland

Annual Report

Your directors are pleased to submit to submit the Annual Report together with the financial statements of Queenstown Airport Corporation Limited (the Company) for the year ended 30 June 2020.

1. Financial Statements

The financial statements of the Company for the year ended 30 June 2020 follow this report.

2. Principal Activities of the Company

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

While there have been no material changes in the business that the Company is engaged in, during the period, the COVID-19 pandemic has changed the forward outlook. With no international travel and domestic travel significantly down on corresponding periods it will have a material impact on the Company's trading performance from FY21. It has required a restructure of the business, a suspension of the capital programme and renegotiating bank facilities and covenants out to 31 December 2021.

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

3. Board of Directors

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

Prudence M Flacks (appointed 27 November 2017; resigned 10 May 2020)
Grant R Lilly (appointed 21 November 2011; resigned 25 October 2019)
Michael P Stiassny (appointed 4 December 2014)
Norman J Thompson (appointed 4 December 2014)
Mark R Thomson (appointed 23 June 2017)
Adrienne F Young-Cooper (appointed 27 November 2017)
Simon R Flood (appointed 12 December 2019)

4. Results for the Year Ended 30 June 2020

Profit for the year was $17,996,000 compared with a profit of $16,590,000 in the previous year.

The directors resolved on 19 August 2020 that no final dividend was declared for the for the year ended 30 June 2020 resulting in a full year dividend of $1,000,000 (2019: $7,186,000) taking into account the interim dividend paid in February 2020.

An interim dividend of $1,000,000 was paid to the shareholders on 15th February 2020.

Retained Earnings for the year ended 30 June 2020

	$ 000's
Balance at the beginning of the year	43,078
Profit for the year	17,996
Dividends paid	(8,295)
Retained earnings to be carried forward	52,779

5. Directors Interests

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

- Auckland International Airport Limited has provided Rescue Fire Training to the Company's operational staff, and other services for which no consideration was paid. Mark Thomson is an executive of Auckland International Airport Limited.

- The Company has two facilities with Bank of New Zealand (BNZ), which are secured by a general security agreement over the Company's assets. To mitigate foreign exchange risk, the Company has entered into foreign exchange forward contracts with BNZ. Prudence Flacks is a director of BNZ.
- Go Rentals (Auckland) Limited, is a commercial transport operator. Grant Lilly is a director of Go Rentals (Auckland) Limited.

All of the transactions were provided on normal commercial terms.

6. Share Dealings

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

7. Directors Remuneration

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

	2020 $	2019 $
Prudence M Flacks (resigned 10 May 2020)	45,750	61,000
Grant R Lilly (resigned 25 October 2019)	14,667	44,000
Michael P Stiassny	43,328	42,000
Norman J Thompson	44,000	44,000
Mark R Thomson	38,000	38,000
Adrienne F Young-Cooper	42,000	42,000
Simon Flood (appointed 12 December 2019)	23,043	-
	250,788	**271,000**

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

8. Remuneration of Employees

There were 20 employees (2019: 22) who received remuneration and other benefits in excess of $100,000 for the financial year as follows:

Bracket	2020 Number of Employees	2019 Number of Employees
$100,000 – $110,000	2	6
$110,000 – $120,000	3	4
$120,000 – $130,000	5	3
$130,000 – $140,000	2	1
$140,000 – $150,000	-	1
$150,000 – $160,000	2	1
$160,000 – $170,000	-	1
$180,000 – $190,000	1	-
$220,000 – $230,000	-	2
$230,000 – $240,000	1	-
$250,000 – $260,000	-	1
$260,000 – $270,000	1	-
$270,000 – $280,000	1	-
$280,000 – $290,000	-	1
$330,000 – $340,000	1	-
$540,000 - $550,000	-	1
$570,000 – $580,000	1	-

9. Donations

The Company made donations totalling $21,250 during the year (2019: $7,753).

10. Use of Company Information

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

11. Auditor

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

On Behalf of the Board

Chair

Director

Chair and Chief Executive's Report

We are pleased to present Queenstown Airport Corporation's (QAC) annual report for the twelve-month period to 30 June 2020.

While FY20 started with solid performance as indicated in QAC's interim results, the outbreak of the COVID-19 global pandemic in the second half of the financial year presented unprecedented challenges for our business, airport community and district. COVID-19 changed the aviation and tourism sectors virtually overnight and it will continue to create an uncertain trading environment for QAC for the foreseeable future. However, the fundamentals of the business remain strong and we are well positioned to navigate through the COVID-19 environment.

Despite the challenges presented by COVID-19, there have been several notable achievements for QAC in FY20. These included attaining Living Wage Aotearoa accreditation, winning the NZ Airports Sustainability Project of the Year and establishing the Southern Airports Alliance with Invercargill and Dunedin airports.

COVID-19 Response

In response to COVID-19 and its ongoing impacts, QAC's overarching mission has been safeguarding the company's core capability to operate vital airport infrastructure for the district and to support its recovery.

The board and management identified the following organisational objectives to guide our response:

- Keep our people healthy, safe and connected with appropriate work arrangements
- Keep the business financially stable, support our airport community where possible and preserve our ability to recover
- Keep the airports operational and resilient
- Keep our communications coordinated, responsive and timely across multiple channels

We then took decisive steps and implemented a series of initiatives designed to respond to and mitigate the immediate impact of the pandemic on our business and on the wider airport communities at Queenstown and Wanaka, including:

- Removed all discretionary operational expenditure
- Suspended all non-essential capital expenditure
- Secured existing bank facilities
- Ensured robust scenario planning and reporting
- Retained all permanent staff to the end of FY20
- Reduced management salaries by up to 20% and suspended incentive bonuses for FY20
- Undertook a cross-business organisational restructure
- Developed and implemented comprehensive operations plans to seamlessly move up and down alert levels within short timeframes
- Provided extensive relief packages to commercial operators at both airports
- Played an active role in New Zealand Aviation Coalition and the Trans-Tasman Safe Border Group

The next phase of our response is to ensure that the business is stabilised over the financial year to 30 June 2021 by focusing on the wellbeing of our people, underlying operational performance, and supporting the recovery of the district and its communities.

Health, Safety and Security

The health, safety and security of our team, airport community members, customers and contractors are our highest priority. QAC has a safety-first culture and a Zero Harm target which we aim to achieve through a safe operating environment and a 'just culture'. QAC has not had an employee or contractor Lost Time Injury for more than six years. The Civil Aviation Authority (CAA) granted a four-year renewal of QAC's Aerodrome Operator Certificate with effect from 1 July 2019 after an extensive audit process.

During the reporting period QAC worked to ensure preparedness, resilience, and continuous improvement in the areas of health, safety and security. Highlights included:

- **COVID-19** – In January, we introduced revised health, safety and hygiene protocols in response to the emerging COVID-19 pandemic, working closely with the Southern District Health Board and border agencies, to protect the wellbeing of our customers and staff. In March, we opened the Emergency Operations Centre (EOC) as a COVID-19 response communications hub, working closely with airlines and agencies to gather and share latest information and coordinate the airport's response. We also worked closely with airports and airlines nationally to ensure consistency and to support public confidence in air travel. While New Zealand was at Alert Levels 3 and 4, Queenstown and Wanaka airports supported the transport of people undertaking essential services, including medical emergencies, and the transport of freight. Additional space at Queenstown Airport was provided to the NZ Police for an operations base to assist local essential services.

- **Airport Safety -** Both airports participated in Airport Safety Week for the fourth consecutive year. Airport Safety Week is an initiative of the Australian and New Zealand Airport Associations which raises awareness about the importance of health, safety and security in an interactive and engaging way. QAC again had a record turnout from across the airport communities and worked with Dunedin and Invercargill airports on the schedule of events.

- **Emergency Training -** Queenstown Airport hosted a full-scale multi-agency emergency training exercise (simulation). QAC's Airport Emergency Service responded to a simulated aircraft incident alongside Fire Emergency New Zealand (FENZ), NZ Police and the St John Ambulance Service.

- **Drone Safety -** In a first of its kind for the region, local drone operators and agencies have joined together to promote discussion and activities to better understand how drones are used within the local airspace and the challenges faced by the industry. Led by a cross-departmental Queenstown Airport team, the group included local commercial drone operators and representatives from national organisations, including the CAA and FENZ.

Sustainability and Social Responsibility
It is important that QAC plays its part in contributing to the social, economic, and environmental sustainability of the region. Initiatives are underway to measure and reduce the environmental impact of QAC's business activities, recognising the role we have in addressing the global challenge of climate change.

A key initiative is measuring the carbon footprint of our business activities annually, enabling us to benchmark and measure our progress in reducing our environmental impact. Energy, waste, and ground transport have been identified as priority areas in the environmental management plan because of their contribution to our carbon footprint. The FY20 report is being audited by Toitū Envirocare.

Achievements in these areas during the period included:

- Awarded Sustainability Project of the Year (NZ Airports Association Awards) for the apron overlay project
- Completed a waste management audit to establish benchmarks as part of our waste minimalization activities at Queenstown Airport
- Supported the Wakatipu Reforestation Trust by contributing to the organisations ongoing operating costs
- Continued active support of the national Tiaki Promise to protect our environment and encourage sustainable tourism practices for visitors to our region
- Announced a three-year partnership with the Wakatipu High School Foundation, with a focus on supporting families experiencing hardship
- Hosted "Roll out the Rainbow" at Queenstown Airport for Winter Pride NZ
- Sponsored the Queenstown Airport Kids Run, and subsidised the entry for QAC families, as part of the Air New Zealand Queenstown Marathon programme of events
- Introduced a predator control pilot programme at Queenstown Airport with support from Wakatipu Wildlife Trust and Cardrona Alpine Resort
- Hosted more than 250 students from around the region as part of QAC's education programme
- Supported various local community events and not-for-profit organisations

Financial Performance
QAC's financial performance was impacted by the downturn in the aviation and tourism sectors from March-June 2020 due to COVID-19.

Given the trading environment, QAC delivered a solid financial performance in the financial year ended 30 June 2020 with total income of $46.7 million, a decrease of $3.0 million (6%) compared to last year.

Total Operating Expenditure was $15.3 million, on par with the prior year.

Operating Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was $31.3 million, representing a decrease of $3.0 million (9%). Profit for the year was $18.0 million, up by $1.4 million compared to last year.

As at 30 June 2020, the company's financial position remains strong, with term debt totalling $69.0 million representing 23.5% of net assets. The equity ratio (total shareholders' funds to tangible assets) was 74.6% and interest coverage ratio (EBITDA/finance costs) is 11.9 times.

During the year QAC successfully negotiated an extension of its existing banking facilities and banking covenants beyond December 2021, with the existing bank funders. The renegotiated bank facilities provide QAC with funding certainty beyond 31 December 2021.

Dividend
An interim dividend of $1.0 million was declared and was paid to shareholders in February 2020 in line with QAC's dividend policy. As a result of the impact of COVID-19, no further dividend was declared for FY20.

Passenger and Aircraft Movements
During the reporting period there were 1,870,619 passenger movements (arrivals and departures) at Queenstown Airport, down 19% compared to last year. Domestic passenger movements were 1,287,400, a 23% decrease on the previous year. International passenger movements were 583,219, representing a 11% decrease on the previous year.

While international trans-Tasman travel is yet to resume, domestic air travel to and from Queenstown has steadily returned since air connectivity to the region resumed in May 2020. In June 2020, there were 37,468 domestic passenger movements compared to 106,119 in June 2019.

Scheduled aircraft movements were 14,780 down 15% compared to last year. Domestic aircraft movements were 10,290 down 17%. International aircraft movements were 4,490 down 17% on the same period last year.

Prior to the impact of COVID-19, we reported a 6% increase in passenger and aircraft movements (1% domestic and 17% international) for the six-month period to 31 December 2019, compared to the corresponding period in 2018. Although growth in activity was forecast to slow down, the marked decrease in passenger movements can be directly attributed to the impact of COVID-19 and the associated travel and border restrictions in place since March 2020.

Commercial general aviation movements at Queenstown Airport were lower, with fixed wing and helicopter landings down 22% and 27% respectively on the same period last year due to COVID-19, inclement weather and general market conditions. Private jet landings decreased by 16%.

Commercial and recreational general aviation movements at Wanaka Airport were lower, with fixed wing and helicopter landings down 36% on the same period last year due to COVID-19, inclement weather and general market conditions.

Infrastructure Investment
Queenstown Airport is a lifeline utility. Keeping our staff, customers and community safe is our highest priority. The resilience of this key infrastructure asset is critical.

Our terminal upgrade programme is focused on the resilience of the existing terminal infrastructure at Queenstown Airport. As such, we invested $5.9m in the first half of FY20 on seismic strengthening work in the terminal. While the infrastructure meets the minimum required seismic performance standard, this is an ongoing programme of works to achieve our aspiration of a 70% NPS rating across all parts of the terminal as well as to provide the space required for enhanced security screening equipment.

In addition, several infrastructure upgrade projects were delivered during the year to ensure operational integrity, enhanced efficiency and an outstanding environment for our customers and airport community.

These included:

- Completion of planned runway maintenance works during the COVID-19 lockdown period, allowing the project to be delivered under budget and ahead of schedule
- Completion of full upgrade of border agency spaces to provide additional space
- Installation of common user self-service kiosks and related infrastructure in check-in area and at boarding gates providing flexibility for customers and a more efficient use of space
- Completion or initiation of noise mitigation works on 5 homes in the inner noise boundaries

As part of our response to COVID-19, we announced in April 2020 a freeze on our capital programme, except for critical works. We also paused our long-term development planning for both Queenstown or Wanaka airports in August 2019 recognising the district spatial plan work being undertaken by Queenstown Lakes District Council, informed by the recently completed impact assessment of future airport development on the district, and the need that our planning be aligned with this important work. We anticipate that our long-term planning activities will resume as we move into recovery.

Customer Experience
Our goal is to reflect the best of the region by providing innovative and valued customer offerings which are unique to Queenstown and the Southern Lakes region.

As part of our goal to enhance customer experience, we have:

- Implemented additional health, hygiene and safety protocols and operating procedures in response to COVID-19
- Continued to deliver retail and food and beverage "pop-up" offerings at both Queenstown and Wanaka airports to provide greater seasonal variety for customers and the airport community
- Opened two new customer relaxation areas within the Queenstown terminal
- Continued the rollout of sensor technology across the Queenstown terminal to provide a more efficient customer journey
- Increased capacity of Terminal Carpark B by 50 parking spaces before the Summer holiday period
- Invested in technology upgrades at the Park and Ride facility, including installation of parking sensors to show real-time availability of spaces on the website. (The Park and Ride facility is now 'in hibernation'. The service will return when activity levels and demand allow.)

People and Culture
QAC was pleased to achieve Living Wage Aotearoa accreditation during the financial year, the first airport company in Aotearoa New Zealand to do so.

As part of our immediate response to COVID-19, we took the following steps with regard to our team:

- Implemented a remote working plan to keep our team safe, connected, and informed
- Applied for the Government's wage subsidy programme and put a plan in place to retain all permanent staff to 30 June 2020 on higher than the wage subsidy level
- Ensured a robust employee assistance programme and promoted the programme to our team members and whanau

Given the ongoing impact of COVID-19 on QAC and district we made the extremely difficult decision to undertake an organisational restructure across the business. As a result, we have recently farewelled a number dedicated and talented people who have made a significant contribution to QAC and to the Queenstown and Wanaka communities in their time with the airports.

We wish to acknowledge the hard work and commitment of the QAC team and their resilience particularly throughout the recent period of uncertainty due to COVID-19. It has been heartening to witness the entire team come together to respond in a crisis and support others across the community.

Land Acquisition
QAC acquired the land known as 'Lot 6' adjacent to the main runway late last year through the Public Works Act. The land vested with QAC on 1 November 2019 following a proclamation from the Governor General and the Minister for Land Information for the taking of land for aerodrome purposes. After undertaking an independent valuation, QAC has provided the former landowner, Remarkables Park Limited, with an offer of compensation of $18.4 million for the land. The compensation payment for 'Lot 6' has been budgeted for and will be funded through QAC's existing bank facilities. If the parties are unable to agree the amount of compensation, then it will be decided by arbitration in accordance with the Land Valuation Tribunal process.

Southern Airports Alliance
In September 2019, Queenstown Airport Corporation, Dunedin Airport and Invercargill Airport Limited entered into a cooperative arrangement through the signing of a memorandum of understanding. The multi-lateral airport arrangement is the first of its kind in New Zealand.

The purpose of the arrangement is to foster a collaborative working relationship across the airports of the Lower South and to make a positive contribution to the region. The agreed areas of focus are health and safety, environmental sustainability, operational excellence and supporting strategic regional tourism initiatives. During the period, the airports undertook joint operational training activities, shared health & safety data and worked with local tourism organisations on new regional offerings.

CIAL Land Acquisition
We note the recent announcement by Christchurch International Airport Limited that it has acquired some 750 hectares of rural land in Tarras, Central Otago, with the intention of developing a new international airport. We are confident that the region is well served by its existing majority community-owned airports now and into the future. Given the significant uncertainty and unclear timeframe regarding the proposed development, we do not view it having an impact on the business for the immediate future, but it will be considered as part of our long-term planning work.

Board of Directors
We wish to acknowledge the contribution of directors, Prue Flacks and Grant Lilly. Prue Flacks stepped down as Chair in March to support a member of her immediate family through an unexpected illness and resigned from the board of directors in May 2020. Ms Flacks joined the board of directors in 2017 and made a valuable contribution to the company as its Chair. The QAC directors and management greatly appreciate Ms Flacks' leadership during her time as Chair and we wish her and her family well.

Grant Lilly retired from the board of directors in October 2019. During his tenure Mr Lilly made a considerable contribution to QAC. We would like to acknowledge and thank Mr Lilly for his eight years of service.

QLDC announced the appointment of Queenstown businessman, Simon Flood to the board of directors in December 2019.

Adrienne Young-Cooper stepped in as Acting Chair in March 2020 before being appointed Chair by the company's shareholders in July 2020. Simon Flood was appointed Deputy Chair at the same time.

Conclusion
Looking forward, we recognise the important role we can play in supporting the recovery of the district and the broader region, learning the lessons from the recent period of significant growth and associated challenges and with a focus on our commitment to sustainability and community. We are also ready to facilitate international flights as and when the border reopens.

At the date of this report, COVID-19 had re-emerged in the Auckland community and we had moved to higher alert levels across New Zealand. This re-enforces the uncertainties associated with the current environment.

Despite the challenges ahead, Queenstown and Wanaka airports are vital air transport infrastructure assets that are uniquely positioned and well-sized to serve the needs of the community and connect people to our district and broader region now and into the future.

Adrienne Young-Cooper Chair 19 August 2020	Colin Keel Chief Executive

Director's Responsibility Statement

The directors of Queenstown Airport Corporation Limited are pleased to present the Annual Report and Financial Statements for Queenstown Airport Corporation Limited for the year ended 30 June 2020.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice which give a true and fair view of the financial position of the Company as at 30 June 2020 and the results of operations and cash flows for the year ended on that date.

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

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

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

This Annual Report is dated 19 August 2020 and is signed in accordance with a resolution of the directors.

On Behalf of the Board

Chair | Director

Income Statement

For the financial year ended 30 June 2020

	Notes	2020 $ 000's	2019 $ 000's
Income			
Revenue from contracts with customers	2(a)	30,427	35,524
Rental and other revenue	2(a)	16,179	14,077
Other gains		61	34
Total income		**46,667**	**49,635**
Expenditure			
Operating expenses	2(b)	7,851	8,941
Net impairment losses on financial assets		314	40
Employee benefits expense	2(c)	7,173	6,314
Total operating expenditure		**15,338**	**15,295**
Operating earnings before interest, taxation, depreciation and amortisation		**31,329**	**34,340**
Depreciation	6	8,640	7,944
Amortisation	7	325	325
Operating earnings before interest and taxation		**22,364**	**26,021**
Finance costs	3	2,633	2,943
Profit before income tax		**19,731**	**23,078**
Income tax expense	4	1,735	6,488
Profit for the year		**17,996**	**16,590**

The notes and accounting policies on pages 18 to 43 form part of and are to be read in conjunction with these financial statements.

Statement of Comprehensive Income

For the financial year ended 30 June 2020

	Notes	2020 $ 000's	2019 $ 000's
Profit for the year		**17,996**	**16,590**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Gain/(loss) on cash flow hedging taken to reserves	11(c)	(503)	(693)
Income tax relating to gain/(loss) on cash flow hedging	11(c)	141	194
Realised gains/(losses) transferred to the income statement	11(c)	234	318
Items that may not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment	11(b)	-	-
Income tax relating to gain on revaluation	11(b)	-	-
Other comprehensive income for the year net of tax		**(128)**	**(181)**
Total comprehensive income for the year, net of taxation		**17,868**	**16,409**

The notes and accounting policies on pages 18 to 43 form part of and are to be read in conjunction with these financial statements.

Deloitte.
for Identification

Statement of Financial Position

As at 30 June 2020

	Notes	2020 $ 000's	2019 $ 000's
Current assets			
Cash and cash equivalents	15(a)	5,187	909
Trade and other receivables	5	2,111	3,860
Prepayments		511	351
Total current assets		**7,809**	**5,120**
Non-current assets			
Property, plant and equipment	6	385,201	361,450
Intangible assets	7	4,708	4,514
Trade and other receivables	5	807	-
Total non-current assets		**390,716**	**365,964**
Total assets		**398,525**	**371,084**
Current liabilities			
Trade and other payables	9(e)	19,645	4,214
Employee entitlements	8	1,003	1,164
Derivatives	9(g)	111	252
Borrowings (secured)	9(f)	-	20,000
Current tax payable		3,359	3,370
Total current liabilities		**24,118**	**29,000**
Non-current liabilities			
Borrowings (secured)	9(f)	69,000	42,700
Derivatives	9(g)	1,221	577
Deferred tax liabilities	4	10,480	14,674
Total non-current liabilities		**80,701**	**57,951**
Total liabilities		**104,819**	**86,951**
Net assets		**293,706**	**284,133**
Equity			
Share capital	10	37,657	37,657
Retained earnings	11(a)	52,779	43,078
Asset revaluation reserve	11(b)	204,376	204,376
Cash flow hedge reserve	11(c)	(1,106)	(978)
Total equity		**293,706**	**284,133**

The notes and accounting policies on pages 18 to 43 form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2020

	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 2019	**37,657**	**204,376**	**(978)**	**43,078**	**284,133**
Profit for the period	-	-	-	17,996	17,996
Other comprehensive income	-	-	(128)	-	(128)
Total comprehensive income for the period	**-**	**-**	**(128)**	17,996	**17,868**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(8,295)	(8,295)
At 30 June 2020	**37,657**	**204,376**	**(1,106)**	**52,779**	**293,706**

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

The notes and accounting policies on pages 18 to 43 form part of and are to be read in conjunction with these financial statements.

Cash Flow Statement

For the financial year ended 30 June 2020

	Notes	2020 $ 000's	2019 $ 000's
Cash flows from operating activities			
Receipts from customers		47,079	49,518
Interest received		1	22
Payments to suppliers and employees		(17,168)	(15,809)
Interest paid		(2,530)	(2,910)
Income tax paid		(5,660)	(8,152)
Net cash inflow from operating activities	15(c)	**21,721**	**22,669**
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,929)	(20,552)
Purchase of intangible assets		(519)	(1,649)
Net cash outflow from investing activities		**(15,448)**	**(22,171)**
Cash flows from financing activities			
Net proceeds from borrowings		6,300	5,700
Dividends paid to equity holders of the parent		(8,295)	(7,186)
Net cash outflow from financing activities		**(1,995)**	**(1,486)**
Net increase/(decrease) in cash and cash equivalents		**4,278**	**(988)**
Cash and cash equivalents at the beginning of the financial year		**909**	**1,897**
Cash and cash equivalents at the end of the financial year	15(a)	**5,187**	**909**

The notes and accounting policies on pages 18 to 43 form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2020

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 19 August 2020.

(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.

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 2020.

(d) Revenue Recognition

(i) Revenue arising from contracts with customers

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. 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.

(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.

Payment is due monthly (see Note 5 for the payment terms),

(id) Commercial Vehicles Access

Revenue is recognised at point of time when the vehicles entry to the transport area through the barrier. Payment is due upfront.

The Airport recognises rental revenue in accordance with NZ IFRS 16 (2019: NZ IAS 17) as described below.

(ii) Rental Revenue

The Company enters into lease agreements as a lessor with respect to some of its land and buildings. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Contingent rents, such as turnover based rents, are recognised as revenue in the period they are earned.

(iii) Interest Income

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

(e) 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, annual leave and redundancy as a result of services rendered by employees and contractual obligations up to balance date at current rates of pay.

(f) Taxation

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

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

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

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

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

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

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

(g) Property, Plant and Equipment

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

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

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

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

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

Revaluations

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

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

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

Fair Value

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. For further discussion on fair values refer to note 6.

Depreciation

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

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

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

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

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

Disposal

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

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

Capitalisation of costs

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

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

(h) Intangible Assets

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

Assets arising from contracts with customers under NZ IFRS 15

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

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

(i) 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.

(j) Financial Instruments

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

Financial assets at amortised costs

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

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

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

Financial liabilities at amortised costs

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

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

Financial liabilities at fair value

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

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

Fair value hierarchy

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

Fair value levels:

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

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

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

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

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

(k) 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)).

(l) 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 accounting standard NZ IFRS 16 *Leases*. 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.

NZ IFRS 16 *Leases* is effective for annual periods beginning on or after 1 January 2019. The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a lease liability to recognise the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of an entity. Lessor accounting remains largely unchanged from 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 all leases previously recognised as operating leases under NZ IAS 17 are short term leases where the practical expedient has been applied and will continue to recognised on a straight line basis over the term of the lease or fall outside the scope of NZ IFRS 16. The adoption of NZ IFRS 16 has not resulted in a material impact on the financial statements. The Company has applied NZ IFRS 16 from 1 July 2019.

COVID-19 Pandemic

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this the New Zealand government imposed significant restrictions around travel including quarantining of international travellers arriving in New Zealand.

COVID-19 has had a significant impact on the aviation industry. While New Zealand has returned to unrestricted domestic travel, there are significantly reduced volumes of domestic flights and passenger numbers. International arrivals and departures have ceased to / from Queenstown Airport and it remains uncertain as to when international flights will recommence (to / from Queenstown).

With regards to these financial statements, COVID-19 has specifically impacted certain areas of the financial statements. The directors have carefully considered the carrying value of assets, accounting estimates and other areas of judgement. Where applicable, specific disclosure has been made for account balances affected by COVID-19.

There remains ongoing uncertainty around the forecast levels of domestic and international air travel. The Company has forecast significant reductions in passenger movements for the year ending 30 June 2021. These forecasts are based on information available at the time of preparing the financial statements and is based with reference to various data sources such as airlines, and travel and tourism bodies.

Notwithstanding the significant impact of COVID-19 the directors are of the view that the Company's business fundamentals remain strong. The company has taken steps to reduce its cost structure, including the reduction of operating expenditure including organisational restructuring, salary reductions and reduced working hours. In addition, discretionary capital expenditure has been reduced with a focus on maintaining critical services. These measures, along with the directors extending current liquidity facilities and proactively obtaining waivers to banking covenants, mean the directors are confident the Company is well placed to continue operating as a going concern until more usual levels of trading conditions return.

2. Surplus from Operations

(a) Revenue from contracts with customers

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

		2020 $ 000's	2019 $ 000's
Revenue Category	*Timing of revenue recognition*		
Scheduled Airlines and General Aviation	At Point of Time	24,898	29,088
Parking	Over Time	2,957	3,503
Recoveries	Over Time	811	878
Commercial Vehicles Access	At Point of Time	1,761	2,055
Total revenue from contracts with customers		**30,427**	**35,524**
Lease rental revenue		15,352	13,838
Government grants		478	-
Other revenue		410	239
Total rental and other revenue		***16,241***	**14,077**
Total Revenue		**46,667**	**49,601**

An amount of $478,000 was received as a government grant for the COVID-19 wage subsidy scheme.

(b) Operating Expenses

	2020 $ 000's	2019 $ 000's
Professional Services	2,156	2,330
Repairs & Maintenance	850	1,067
Utilities	1,124	1,343
Administration and Other	3,721	4,201
Total Operating Expenses	**7,851**	**8,941**

Operating expenses include the following:

Audit fees - disclosure financial statements	26	26
Audit fees - financial statement audit	68	65
Other non-audit fees	-	12

The other non-audit services provided by Deloitte in 2019 relate to a review of the holiday pay calculation.

(c) Employee Benefits Expense

Salaries and wages	6,922	6,043
Directors fees	251	271
Total Employee Benefits Expense	**7,173**	**6,314**

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

	2020 $ 000's	2019 $ 000's
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,628	2,809
Fair value gain/loss on interest rate swaps designated as cash flow hedges – transfer from Other Comprehensive Income	326	441
Less: Interest capitalised to projects	(321)	(307)
Total Finance Costs	**2,633**	**2,943**

Interest was capitalised at a weighted average cost of borrowings of 3.99% (2019: 4.51%). 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

	2020 $ 000's	2019 $ 000's
Tax expense/(income) comprises:		
Current tax expense/(income):		
Current year	5,874	7,064
Adjustments for prior years	6	23
	5,879	**7,087**
Deferred tax expense/(income)		
Origination and reversal of temporary differences	(4,057)	(482)
Adjustment for prior year and other	4	7
Amortisation of tax component of derivatives	(91)	(124)
	(4,144)	**(599)**
Total Tax Expense	**1,735**	**6,488**

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

Surplus before income tax	**19,731**	**23,078**
Income tax expense calculated at 28%	5,525	6,462
Permanent differences	96	170
Creation/reversal of temporary difference	(3,795)	(20)
Amortisation of tax component of derivatives	(91)	(124)
Income Tax Expense	**1,735**	**6,488**

(b) Income Tax Recognised Directly in Other Comprehensive Income

Deferred tax of $141,000 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 (2019: $194,000).

(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

2020	**Opening balance** **$** **000's**	**Charged to profit for the year** **$** **000's**	**Charged to other comprehensive income** **$** **000's**	**Closing balance** **$** **000's**
Gross deferred tax assets/(liability):				
Property, plant and equipment	(14,423)	4,514	-	(9,909)
Intangible assets	(350)	(37)	-	(387)
Employee benefits	133	37	-	170
Derivatives	232	-	141	373
Trade and other payables	(253)	-	-	(253)
Trade and other receivables	(13)	(461)	-	(474)
	(14,674)	**4,053**	**141**	**(10,480)**

2019	**Opening balance** **$** **000's**	**Charged to profit for the year** **$** **000's**	**Charged to other comprehensive income** **$** **000's**	**Closing balance** **$** **000's**
Gross deferred tax assets/(liability):				
Property, plant and equipment	(14,889)	466	-	(14,423)
Intangible assets	(441)	91	-	(350)
Employee benefits	125	8	-	133
Derivatives	38	-	194	232
Trade and other payables	(176)	(77)	-	(253)
Trade and other receivables	-	(13)	-	(13)
	(15,343)	**475**	**194**	**(14,674)**

Due to the change in legislation, to allow depreciation on buildings to be a deductible expense for tax purposes, the Company has recognised a deferred tax asset of approximately $3.0 million at 30 June 2020. This has reduced the income tax expense and the deferred tax liability in FY20.

During the year ending 30 June 2016, a movement in deferred tax on derivatives of $578,000 occurred relating to losses on interest rate swaps closed out during that financial year (refer Note 9(g)). These are being amortised over the original life of the swap, reducing the tax expense for accounting purposes, but were immediately deductible for tax purposes. During the year ending 30 June 2020, $91,000 (2019: $124,000) was recognised as a reduction in tax expense (refer Note 4(a)).

(d) Imputation Credit Account Balances

	2020 $ 000's	2019 $ 000's
Balance at beginning of year	22,505	18,220
Income tax paid and payable	5,660	7,080
Tax credits relating to dividend payment	(3,226)	(2,795)
Balance at end of year	**24,939**	**22,505**

5. Trade & Other Receivables

	2020 $ 000's	2019 $ 000's
Trade receivables	1,310	3,880
Less: Provision for expected credit losses	(319)	(47)
Revenue accruals and other receivables	1,927	27
Total Trade & Other Receivables	**2,918**	**3,860**
Disclosed as:		
Current	2,111	3,860
Non-current	807	-
Total Trade & Other Receivables	**2,918**	**3,860**

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.

Revenue accruals and other receivables is largely made up of deferred rental arrangements with tenants in response to COVID-19.

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6. Property, Plant and Equipment

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

	Land	Right of use Asset	Buildings	Runways, Taxiways & Aprons	Plant & Equipment	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At fair value	202,285	11,340	51,465	48,846	17,822	331,758
At cost	3,155	-	1,180	6,528	21,296	32,159
Work in progress at cost	4,965	-	8,182	517	2,114	15,779
Accumulated depreciation	-	(114)	(2,760)	(2,265)	(13,108)	(18,246)
Balance as at 30 June 2019	**210,405**	**11,226**	**58,068**	**53,627**	**28,124**	**361,450**
Additions	20,635	-	4,769	3,433	3,554	32,392
Depreciation	-	(114)	(2,909)	(2,661)	(2,956)	(8,640)
Movement to 30 June 2020	**20,635**	**(114)**	**1,860**	**772**	**598**	**23,752**
At fair value	202,285	11,340	51,465	48,846	17,822	331,758
At cost	28,755	-	13,195	10,406	24,918	77,274
Work in progress at cost	-	-	937	73	2,046	3,056
Accumulated depreciation	-	(228)	(5,669)	(4,926)	(16,064)	(26,887)
Balance as at 30 June 2020	**231,040**	**11,112**	**59,928**	**54,399**	**28,722**	**385,201**

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

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

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

	Land	Right of use Asset	Buildings	Runways, Taxiways & Aprons	Plant & Equipment	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Historical Cost at 30 June 2018	29,955	11,421	70,495	57,429	34,467	203,766
Accumulated Depreciation	-	(142)	(22,789)	(14,319)	(15,191)	(52,442)
Carrying Amount as at 30 June 2019	**29,955**	**11,278**	**47,706**	**43,110**	**19,275**	**151,325**
Additions at Cost	20,635	-	4,769	3,433	3,554	32,392
Depreciation	-	(114)	(2,526)	(3,332)	(2,409)	(8,381)
Movement to 30 June 2020	**20,636**	**(114)**	**2,243**	**101**	**1,145**	**24,011**
At cost	50,591	11,421	75,264	60,862	38,020	236,158
Accumulated depreciation	-	(256)	(25,315)	(17,651)	(17,601)	(60,823)
Carrying Amount as at 30 June 2020	**50,591**	**11,165**	**49,949**	**43,211**	**20,419**	**175,335**

(c) Land Acquisition

During the period the Company received a signed proclamation from the Governor General and the Minister for Land Information for the taking of land for aerodrome purposes under the Public Works Act. The land known as 'Lot 6' vested with the Company on 1 November, being 14 days after publication of the proclamation in the New Zealand Gazette. The land value is determined as at the date that the land vested.

Following the vesting of Lot 6 during the year the Company obtained an independent valuation. Subsequently an offer of compensation for Lot 6 was made to the previous landowner for $18.4million in accordance with the independent valuation. At balance date the offer of compensation had not been paid, accordingly a liability of $18.4million is included in trade and other payables (note 9(e)).

At this time, the Company's offer has neither been accepted nor rejected by the previous landowner. Should compensation not be agreed between the parties, it is likely that the matter will be referred to the Land Valuation Tribunal, at which the compensation value to be paid will be determined via arbitration.

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

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

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

Valuations are completed in accordance with financial reporting and valuation standards. Management reviews the key inputs, assesses valuation movements and holds discussions with the valuers as part of the process. Discussions about the valuation processes and results are held between the Company's management and the Board.

JLL undertook a desktop valuation of the Company's land assets as at 30 June 2020. The desktop valuation was undertaken to assess any potential change to the fair value of the land assets measured at fair value. The results of the desktop valuation concluded that there was no significant change in the fair value of land assets relative to the carry value at 30 June 2020. Accordingly, the directors have concluded that no adjustment is required for the land assets as at 30 June 2020.

A comprehensive valuation of land, buildings, roading and car parking will be undertaken as at 30 June 2021 in accordance with the Company's policy.

Fair value measurement at 30 June 2020

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. These sensitivities remain unchanged from 2019.

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.

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.	3	+/- \$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.	3	+/- \$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.	3	+/- \$820,000 (5% change in average land rate)
Runway, Taxiway & Aprons				
Aeronautical **Aeronautical infrastructure and sealed surfaces.**	Fair Value under the Depreciated Replacement Cost (DRC) Approach. It is based upon the principle of substitution, assuming the use of modern materials, techniques and designs.	Reference has been made to inflation indices used and construction rates compiled by Beca's cost estimators and valuations team, who are involved in aviation civil works. Capital additions and disposals supplied by QACL have also been included.	3	+/- \$1.22 million (2.5% change in DRC value)
Buildings				
Aeronautical **Terminal Building**	Fair Value under an Optimised Depreciated Replacement Cost (ODRC) approach. The cost of constructing an equivalent asset at current market-based input cost rates, adjusted for remaining useful life (depreciation).	Weighted average construction cost of \$3,505/m² and depreciation rates of circa 4.0% per annum.	3	+/- \$2.25 million (5% change to replacement rate)

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

(e) Carrying amounts of land and buildings, split between leased and not leased assets.

	Land (Not Leased)	Land (Leased)	Buildings (Not Leased)	Buildings (Leased)	Total
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
At fair value	98,349	103,936	27,091	24,375	253,751
At cost	1,678	1,478	627	552	4,335
Work in progress at cost	2,639	2,325	4,012	4,170	13,146
Accumulated depreciation	-	-	(1,442)	(1,317)	(2,759)
Balance as at 30 June 2019	**102,666**	**107,739**	**30,288**	**27,780**	**268,473**
Additions	10,971	9,664	2,532	2,237	25,404
Depreciation	-	-	(1,493)	(1,416)	(2,909)
Movement to 30 June 2020	**10,971**	**9,664**	**1,039**	**821**	**22,495**
At fair value	98,349	103,936	27,091	24,375	253,751
At cost	15,288	13,467	6,836	6,359	41,950
Work in progress at cost	-	-	335	601	936
Accumulated depreciation	-	-	(2,935)	(2,734)	(5,669)
Balance as at 30 June 2020	**113,637**	**117,403**	**31,327**	**28,601**	**290,968**

7. Intangible Assets

	2020 $ 000's	2019 $ 000's
Cost		
Opening balance	6,516	4,832
Additions from internal developments	519	1,684
Total cost closing balance	**7,035**	**6,516**
Accumulated amortisation		
Opening balance	2,002	1,677
Amortisation expense	325	325
Total accumulated amortisation	**2,327**	**2,002**
Total Carrying Value of Intangible Assets	**4,708**	**4,514**

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

	2020 $ 000's	2019 $ 000's
Accrued salary and wages	406	688
Annual leave	597	476
Total Employee Entitlements	**1,003**	**1,164**

9. Financial instruments

(a) Foreign Exchange Risk Management

It is the policy of the Company to enter into forward foreign exchange contracts to cover committed foreign currency payments and receipts over $0.5 million by at least 80% of the exposure generated.

(b) Interest Rate Risk Management

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

	Contract fixed Interest rate 2020 %	2019 %	Notional principal amount 2020 $ 000's	2019 $ 000's	Fair Value 2020 $ 000's	2019 $ 000's
Outstanding floating to fixed contracts						
Less than 1 year	-	2.403	-	2,500	-	(25)
1 to 2 years	2.470	2.470	5,000	5,000	(111)	(109)
3 to 5 years	2.316	2.008	18,000	18,000	(1,221)	(683)
Total			**23,000**	**25,500**	**(1,332)**	**(817)**
Cover of principal outstanding			33%	41%		

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 $371,000 net of tax $144,000 relating to the hedging instruments, is included in other comprehensive income (2019: unrealised loss of $510,000 net of tax $198,000).

At 30 June 2020, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact on profit would have been $475,000 lower/higher. A sensitivity of 1% has been selected as this is considered reasonable given the current level of interest rates and the trend observed both on a historical basis and market expectations for future moves.

(c) Capital Risk Management

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

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

(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 gross contractual 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-20						
Trade and other payables	**19,645**	**19,645**	265	19,380	-	-
Borrowings	**69,000**	**69,000**	-	-	54,000	15,000
Derivative financial instruments	**1,332**	**-**	-	111	-	1,219
30-Jun-19						
Trade and other payables	**4,214**	**4,214**	4,214	-	-	-
Borrowings	**62,700**	**62,700**	-	20,000	-	42,700
Derivative financial instruments	**829**	**-**	-	252	57	520

(e) Trade & Other Payables

	2020 $ 000's	2019 $ 000's
Trade payables	265	1,635
Other creditors and accruals	980	2,579
Lot 6 payable	18,400	-
Total Trade and Other Payables	**19,645**	**4,214**

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

f) Borrowings

Facility	Commencement Date	Expiry Date	Line limit at 30 June 2020	Drawn at 30 June 2020	Drawn at 30 June 2019
			$ 000's	**$ 000's**	**$ 000's**
BNZ (A)	23 May 2016	22 May 2020	-	-	16,700
BNZ (B)	1 August 2016	31 May 2022	30,000	15,000	-
Westpac (A)	23 May 2016	22 May 2020	-	-	20,000
Westpac (B)	1 August 2016	30 April 2022	20,000	20,000	6,000
Westpac (C)	30 April 2018	30 April 2022	20,000	8,000	-
Westpac (D)	30 April 2018	29 April 2023	20,000	-	-
ASB	30 April 2018	29 April 2022	20,000	11,000	20,000
Bank of China	30 April 2018	29 April 2023	30,000	15,000	-
Total Borrowings			**140,000**	**69,000**	**62,700**
Disclosed in the financial statements as:					
Current				**-**	**20,000**
Non-current				**69,000**	**42,700**

During the year the Company decreased its banking facilities from $220 million to $140 million 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 2020 was 3.99% (2019: 4.51%).

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

(g) Derivatives

Derivative financial liabilities:

	2020 $ 000's	2019 $ 000's
Current		
Interest rate swap (i) (effective)	111	240
Foreign exchange forward contracts (effective)	-	12
Total Current Derivatives	**111**	**252**
Non-current		
Interest rate swap (i) (effective)	1,221	577
Foreign exchange forward contracts (effective)	-	-
Total Non-current Derivatives	**1,221**	**577**
Total Derivatives	**1,332**	**829**

(h) Classification and measurement

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.

Recurring fair value measurements of Financial Instruments at FVOCI at 30 June 2020

	Level 1 $ 000's	Level 2 $ 000's	Level 3 $ 000's	Total $ 000's
Financial liabilities				
Foreign currency forwards	-	-	-	-
Interest rate swaps	-	(1,332)	-	(1,332)
Total financial liabilities	-	**(1,332)**	-	**(1,332)**

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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)**

(i) Impairment of financial assets

Trade Receivables and Cash and equivalents are subject to NZ IFRS 9's 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

	2020 No.	2019 No.	2020 $ 000's	2019 $ 000's
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	16,060,365	16,060,365	37,657	37,657
Balance at End of Year	**16,060,365**	**16,060,365**	**37,657**	**37,657**

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

11. Retained Earnings and Reserves

	2020 $ 000's	2019 $ 000's
(a) Retained Earnings		
Balance at the beginning of the year	43,078	33,674
Profit for the year after taxation	17,996	16,590
Dividends paid during the year	(8,295)	(7,186)
Balance at End of Year	**52,779**	**43,078**
Dividends Paid		
Final Dividend	7,295	6,186
Interim Dividend	1,000	1,000
Total Dividend Paid	**8,295**	**7,186**

On 21st August 2019 a final dividend of 45.42 cents per share (total dividend of $7,295,108) for the year ending 30 June 2019 was paid to holders of fully paid ordinary shares.

On 15th February 2020 an interim dividend of 6.23 cents per share (total dividend of $1,000,000) for the year ending 30 June 2020 was paid to holders of fully paid ordinary shares.

(b) Asset Revaluation Reserve

	2020 $ 000's	2019 $ 000's
Balance at the beginning of the year	204,376	204,376
Increase arising on revaluation of assets	-	-
Deferred tax movement arising on revaluation	-	-
Balance at End of Year	**204,376**	**204,376**

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

(c) Cash Flow Hedge Reserve

	2020 $ 000's	2019 $ 000's
Balance at the beginning of the year	(978)	(797)
Gain/(loss) recognised on interest rate swaps	(515)	(708)
Deferred tax movement arising on interest rate swaps	144	198
Gain/(loss) recognised on forward exchange contracts	12	15
Deferred tax movement arising on forward exchange contracts	(3)	(4)
Realised losses/(gains) transferred to the income statement	234	318
Balance at End of Year	**(1,106)**	**(978)**

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.

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 2020, the interest expense of $325,000 and tax benefit of $91,000 was recognised (2019: $441,000 and $123,000 respectively).

12. Commitments for Expenditure

	2020 $ 000's	2019 $ 000's
Committed for Acquisition of Property, Plant and Equipment	**-**	**4,634**

As disclosed in note 6(c) the Company has committed to acquire Lot 6. An offer of compensation has been provided to the previous landowner in accordance with the Public Works Act requirements and is based on independent valuations. In the event that the offer is not accepted by the previous landowner the Public Works Act contains provisions for resolution to be achieved via arbitration at the Land Valuation Tribunal.

13. Operating Lease Arrangements

(a) 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 2020, 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:

	2020 $ 000's	2019 $ 000's
Less than 12 months	9,975	8,166
1-2 years	5,950	6,518
2-3 years	4,054	4,276
3-4 years	2,243	2,491
4-5 years	904	905
5 years +	2,828	2,953
Total Company as Lessor, Operating Lease Rental	**25,954**	**25,309**

14. Related Party Disclosures

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

Related parties of the Company are:

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

	2020 $ 000's	2019 $ 000's
Queenstown Lakes District Council		
Rates	(491)	(481)
Resource and building consent costs & collection fees	-	(18)
Other	(21)	(9)
Parking Infringement Income	76	83
Frankton Golf Club Income	43	40

Auckland International Airport Limited		
Rescue fire training	(5)	(41)
Director fees	(43)	(43)

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

Go Rentals (Auckland) Ltd		
Commercial parking revenue	-	85
BNZ		
Interest paid, other bank fees and interest received	-	(1,120)

Go Rentals (Auckland) Ltd and BNZ ceased being related parties during the year due to the retirement of Grant R Lilly and Prudence M Flacks from the Board of Directors of the Company. The related party transactions disclosed reflect the value of the transactions undertaken during the 30 June 2020 year.

	2020 **$ 000's**	**2019** **$ 000's**
Amounts payable to related parties at balance date:		
Queenstown Lakes District Council	(3)	(3)
BNZ Borrowings (refer note 9(f))	(15,000)	(16,700)
BNZ Foreign exchange forward contract (refer note 9(g))	-	(12)
BNZ Interest Accruals	(1)	(38)

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was $1,767,000 (2019: $1,941,000).

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:

	2020 **$ 000's**	**2019** **$ 000's**
Cash on hand	15	12
Cash at bank	5,172	897
Total Cash and Cash Equivalents	**5,187**	**909**

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(b) Changes in liabilities rising from financing activities

	Opening balance $000's	Cash flows $000's	Closing balance $000's
2020			
Borrowings	62,700	6,300	69,000
2019			
Borrowings	57,000	5,700	62,700

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

	2020 $ 000's	2019 $ 000's
Profit for the year	**17,996**	**16,590**
Add/(less) non-cash items:		
Amortisation	325	325
Depreciation and impairment	8,640	7,994
Unwind of deferred tax liability to tax expense	(4,053)	(475)
Other	(74)	10
	22,834	**7,854**
Changes in assets and liabilities:		
(Increase) in trade and other receivables	942	(115)
(Increase)/decrease in prepayments	(159)	138
Increase/(decrease) in current tax payable	291	(1,066)
Increase/(decrease) in trade and other payables	15,128	907
Increase/(decrease) in employee entitlements	(161)	128
Movement in items reclassified as investing and financing activities	(17,154)	(1,767)
	(1,113)	**(1,775)**
Net Cash Inflow from Operating Activities	**21,721**	**22,669**

16. Contingent Liabilities

(a) Noise Mitigation

The Company has implemented a programme of works to assist homeowners living in the inner and mid noise boundaries to mitigate the effects of aircraft sound exposure. Due to a significant reduction in aircraft movements leading to reduced aircraft sound exposure there is unlikely to be a requirement to continue with the mitigation works in the near term. The programme will progress when increased levels of airline activity return post COVID19.

Inner Noise Mitigation

As at 30 June 2020, the Company had made inner noise mitigation offers to 39 properties (7 are owned by the Company), at a total cost of $1,838,000. Aircraft noise at Queenstown Airport has decreased as a result of the reduced aircraft movement levels due to the closure of New Zealand borders since March. Accordingly, noise mitigation works have been suspended until the Company has greater clarity of the future of international aircraft movements and the impact on its noise boundaries. There are no capital commitments at balance date.

Mid Noise Mitigation

Prior to 30 June 2020 the Company had made a commitment to provide noise mitigation works (mechanical ventilation) to 131 properties. As at 30 June 2020, 18 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

(b) Litigation

During the reporting year the Wanaka Stakeholders Group (WSG) initiated judicial review proceedings against Queenstown Lakes District Council (QLDC) as first respondent and QAC as second respondent. The proceedings relate to the future governance model for Wanaka Airport as determined by QLDC in 2016/2017 and which resulted in a 100-year lease negotiated and executed by QLDC and QAC in 2018. During the period QAC incurred approximately $310k in legal costs and is forecasting significant costs in the future to respond to this matter. These costs have been expensed in the income statement as the costs are incurred.

17. Subsequent Events

Dividend

The directors resolved on 19 August 2020 that no final dividend for the year ended 30 June 2020 would be paid to shareholders. There were no other significant events after balance date.

Christchurch International Airport Limited purchase of land in Tarras, Central Otago

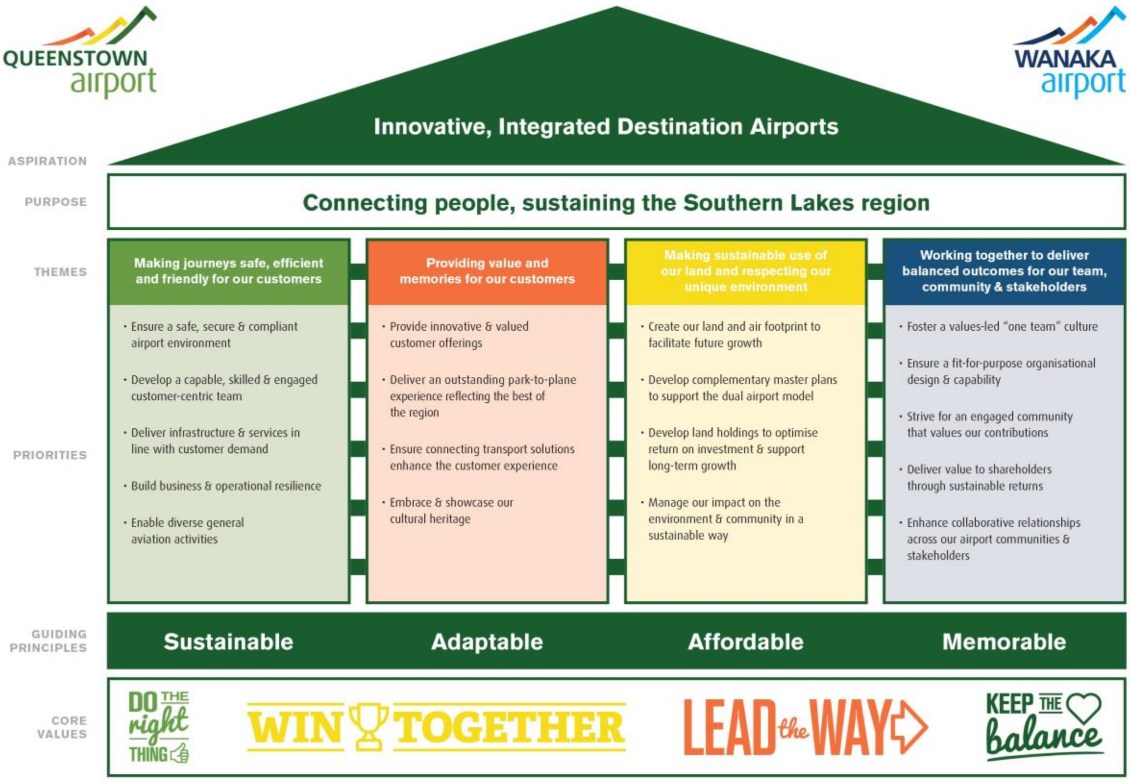
On 22 July 2020, Christchurch International Airport Limited (CIAL) announced the purchase of 750 hectares of rural land near Tarras, Central Otago, with the intention of developing a new international airport. The timing of the proposed development is not known, and it is not expected to have an impact on the Company's trading performance for the immediate future.

Statement of Service Performance

Connecting people through our infrastructure and helping to sustain the Southern Lakes region is at the heart of our business. Everything we do to achieve this is underpinned by our core values and guiding principles.

Our direction of travel is reflected in the strategy house below which sets out our aspiration, purpose, major streams of work or themes, and key priorities. The four themes identified are common goals which help us focus our efforts across the organisation. These have been further distilled into priorities against which we measure our performance.

Key initiatives are identified, and the priorities are matched with performance metrics and targets to provide accountability and measure our success each year.



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

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Priorities and Performance Metrics

Making journeys safe, efficient and friendly for our customers			
Priorities	**Performance Metrics**	**Timing**	**Progress**
Ensure a safe, secure & compliant airport environment	• Lost Time Injuries	• Zero	• Achieved zero lost time injuries for both employees and contractors
	• Near miss reporting	• 10% > FY19	• Not Achieved - 41 near misses reported for both employees and contractors (FY19 - 86 near misses reported). Reporting has reduced significantly from March 20 due to lower operating activity levels caused by COVID-19.
	• CAA security audits	• Compliance Achieved	• Achieved - Compliance achieved on all CAA security audits completed
	• Critical risk factors identified, evaluated, and controlled	• Ongoing	• Critical risk factors continually identified, evaluated, and controlled • Monitored through quarterly Safety & Operational Risk Committee
	• Annual environmental baseline monitoring and reporting process embedded – energy, water, waste, soil, air, and noise	• June 2021	• Work started (Sustainability Framework)
	• Increase noise monitoring frequency from 3 yearly to annually, to manage growth appropriately and to ensure compliance with our noise boundaries	• Annual	• Regular noise monitoring undertaken, and noise compliance achieved for the 2019 calendar year. • Noise levels subsequently reduced due to COVID-19 response and business stabilisation plan. • Noise monitoring requirements were impacted by New Zealand’s response to COVID-19 which resulted in a significant reduction of aircraft movements and therefore noise associated with these movements.
	• Work with airport stakeholders on carbon footprint reduction measures	• Ongoing	• Will be carrying out carbon footprint mapping and audit process in FY21

Making journeys safe, efficient and friendly for our customers			
Priorities	**Performance Metrics**	**Timing**	**Progress**
	• Increase operations control room staffing to 16 hrs/7 days a week	• Dec 2019	• Achieved prior to March 20, subsequently staffing was reduced due to COVID-19 response and business stabilisation plan.
	• Drone reporting/compliance and public education programme	• Ongoing	• Achieved - Drone reporting included in monthly Health, Safety and Security Performance Report
	• Frontline staff complete customer service training programme	• 100% completed by Jun 2020	• Achieved
Develop a capable, skilled & engaged customer-centric team	• Customer Satisfaction surveys	• 4.1 out of 5 satisfaction	• Achieved - Average overall satisfaction from July-19 to March-20 was 4.12 • Customer Satisfaction surveys were suspended final quarter of the financial year due to COVID-19
	• Unit Standard-based airport operations diploma established and rolled out to all Operational staff as a minimum standard	• Jun 2020	• Not achieved - delivery impacted by COVID-19
	• Deliver Project Pathway at Queenstown Airport	• Within two financial years	• Delivery schedule negatively impacted by COVID-19. Elements of Project Pathway on hold due to capital budget constraints
Deliver infrastructure & services in line with customer demand	• Additional BMU capacity planned and delivered	• Jun 2020	• Pre-feasibility and planning works were in progress • Delivery impacted by COVID-19. Project completion on hold due to capital budget constraints and capacity no longer a short term issue under current COVID-19 environment
	• Implement Aviation Security-regulated body scanners in conjunction with smart lane technology	• Jun 2020	• Project deferred due to COVID-19
	• Departure lounge capacity increase	• Jun 2020	• Delivery impacted by COVID-19 • On hold due to capital budget constraints and capacity no longer an issue under current COVID-19 environment

Making journeys safe, efficient and friendly for our customers			
Priorities	**Performance Metrics**	**Timing**	**Progress**
	• All airlines move to self-service kiosks	• Dec 2019	• Achieved – effective November-19.
	• Airline and agency administration space, and utilities are delivered to meet capacity requirements	• Jun 2021	• Common Use Self Service was commissioned during the period • Ongoing communications with airlines and agency re capacity requirements however capacity constraints are not a current concern due to COVID-19 impacting the operating environment
	• Overall seismic compliance enhanced to 70-100% of New Building Standard ("NBS")	• Dec 2021	• Seismic remediation completed on certain areas of the terminal. Design work underway to lift building NBS for remainder of the terminal
Build business & operational resilience	• Create a back-up potable water supply for ZQN	• Jun 2020	• Delivery impacted by COVID-19. On hold due to capital budget constraints
	• Virtual infrastructure replacement completed and commissioned	• Jun 2020	• In progress - to be completed August 2020
	• Emergency management response training for all staff	• Maintain 100% Operations staff	• Not Achieved - 90% complete. Delivery impacted by COVID-19.
	• Business Continuity Plan enhanced, trained and tested	• Jun 2020	• Not achieved - Delivery impacted by COVID-19
	• Establish GA strategy to help inform both the ZQN and WKA master plans	• Jun 2019	• Achieved
Enable diverse general aviation activities	• Warbirds Over Wanaka agreement completed	• Jul 2019	• Achieved
	• Formal management agreement in place for QAC to manage Glenorchy airstrip on an ongoing basis	• Dec 2019	• Form and terms of the Management Agreement concluded. Signed contract delayed due to COVID-19.

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Providing value and memories for our customers			
Priorities	**Performance Metrics**	**Timing**	**Progress**
Provide innovative & valued customer offerings	• Appropriate mix of local owner-operators and national brands within both airport precincts	• Ongoing	• QAC continues to have a mix of operators within the terminal to meet the customers' needs • COVID-19 impacts will mean what the appropriate mix is will need to be continually tested and challenged as appropriate
	• Growth in commercial revenue as per financial forecast	• 2019-2021	• Delivery impacted by COVID-19 • New financial forecasts will be established based on the new operating environment
	• All advertising assets are operational	• Dec 2019	• All advertising assets were operational until impacted by COVID-19
	• Increase real-time customer data delivery	• Jun 2020	• Not achieved - Delivery negatively impacted by COVID-19
Deliver an outstanding park-to-plane experience reflecting the best of the region	• Establish new customer satisfaction measurements for self-service check-in experience with our airline partners	• Dec 2020	• Not achieved - Delivery negatively impacted by COVID-19
	• Establish new customer satisfaction measurements for security screening with AVSEC	• Jun 2020	• Key Performance Indicators were agreed, reporting is still to be established
	• Targeted rate of customer satisfaction achieved for car parking and ground transport	• 3.5 out of 5 satisfaction	• Not achieved - Average overall satisfaction from July-19 to March-20 was 3.21 • Customer Satisfaction surveys were suspended for the final quarter of FY20 due to COVID-19
Ensure connecting transport solutions	• Coordinated and planned approach with our transport partners (QLDC, NZTA and ORC) to achieve enhanced airport, local and regional connectivity – particularly through the master plan processes for Wanaka and Queenstown Airports	• Ongoing	• Continued involvement in the Transport Governance Group (TGG), and in council led master planning exercises.

Providing value and memories for our customers			
Priorities	**Performance Metrics**	**Timing**	**Progress**
enhance the customer experience	• Share insights and datasets with our transport partners to help inform decision making for transport decisions and proposals	• Ongoing	• Achieved via contributions and participation in the TGG and participation on transport planning business case workshops.
	• Deliver ground transport technology solutions such as online parking at terminal, electric charging stations and licence plate recognition in line with infrastructure upgrades	• Dec 2020	• Certain aspects of technology solutions were implemented i.e. online parking at Park & Ride • Remaining delivery impacted by COVID-19
Embrace & showcase our cultural heritage	• Develop a heritage management plan for QACs heritage assets • Implement key actions identified	• Dec 2019 • Jan - Dec 2020	• Building condition reports and cyclical maintenance reports have been completed for certain heritage buildings. Remaining delivery impacted by COVID-19.
	• Provide updates twice a year on integrating our aviation heritage, national and regional culture, and Te Reo into planning, appropriate projects, staff training and storytelling	• Feb and Aug each year	• In progress • Te Reo Maori Week achieved • Timing of delivery and rollout interrupted by COVID-19 response and business stabilisation plan

Making sustainable use of our land and respecting our unique environment

Priorities	Performance Metrics	Timing	Progress
Create our land and air footprint to facilitate future growth	• Continue to actively participate in QLDC's Proposed District Plan process to ensure Queenstown and Wanaka airports' planning framework is appropriate to meet their strategic goals, and that the effects of reverse sensitivity are managed.	• As per QLDC timetables	• QAC has continued to participate in all active stages of Proposed District Plan, successfully settling a number of appeal points through mediation.
	• Determine the appropriate land use for each airport based on master planning outcomes and develop a programme to achieve these requirements through the relevant RMA processes.	• Jun 2020	• Deferred as master planning has not been completed.
	• Secure appropriate consents required for ZQN and WKA airports as part of the master planning process	• Jun 2020	• Deferred as master planning has not been completed.
	• Complete the Public Works Act (PWA) acquisition of "Lot 6".	• Dec 2019	• PWA acquisition of Lot 6 has been completed with the land vesting in QAC as at 1 November 2019.
	• Acquire any land or property required to enable the development of the agreed ZQN and WKA master plans	• Jun 2020	• Any land acquisitions over and above the acquisition of Lot 6 are on hold as a result of COVID-19 and capital budget constraints.
Develop complementary master plans to support the dual airport model	• Develop a spatial master plan for Wanaka Airport	• Mar 2020	• QAC determined that it would not progress any master planning until QLDC has completed its Spatial Plan and its report on the Economic & Social Impacts of Airport Development. • The Spatial Plan has not yet been completed.
	• Develop a spatial master plan for Queenstown Airport	• Mar 2020	• QAC determined that it would not progress any master planning until QLDC has completed its Spatial Plan and its report on the Economic & Social Impacts of Airport Development. • The Spatial Plan has not yet been completed.

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Making sustainable use of our land and respecting our unique environment			
	• Refine the Queenstown Airport and Wanaka Airport master plans	• Dec 2020	• To be deferred until after master planning has been completed.
	• Continue to engage with the community throughout the master planning process	• Ongoing	• Achieved • Ongoing communication on status and process continues
Develop land holdings to optimise return on investment & support long-term growth	• Clarify any land available for lease, tenure available and day-to-day management of airport land and assets	• Dec 2019	• Achieved
	• Following the confirmation of preferred master plans, and the successful acquisition of 'Lot 6', commence the planning of the General Aviation precinct	• Dec 2020	• To be deferred until after master planning has been completed.
Manage our impact on the environment & community in a sustainable way	• Noise mitigation works completed on all current inner and mid sector homes who have accepted mitigation offers	• Dec 2021	• Delivery impacted by COVID-19 • Noise Mitigation Programme was actively progressing until such time as New Zealand's response to COVID-19 resulted in a significant reduction of aircraft movements and therefore noise associated with these movements. • The programme is in hibernation until flight movements increase to a point where noise mitigation activity is once again required.
	• Monitor and review noise compliance against monthly aircraft movements	• Monthly	• Internal monitoring of aircraft movements in relation to our noise boundaries is undertaken monthly. Formal noise modelling occurs on an annual basis. • Noise compliance was achieved for the 2019 calendar year.
	• Hold regular airline stakeholder meetings to share information and manage growth	• Monthly	• Achieved • New Zealand Aviation Coalition (established April 2020) sector COVID-19 response

Working together to deliver balanced outcomes for our team, stakeholders & community			
Priorities	**Performance Metrics**	**Timing**	**Progress**
Foster a values-led "one team" culture	• Improved staff engagement survey	• 10% improvement year-on-year	• The staff engagement survey was not completed as planned due to COVID-19. The staff engagement survey will be undertaken in FY21.
	• Staff & Leadership development plans achieved	• Annual	• Plans were completed, however due to COVID-19 the priority moved to the Stabilisation Plan. Staff and Leadership development Plans will recommence in FY21.
Ensure a fit-for-purpose organisational design & capability	• Develop a viable dual-airport approach for Queenstown and Wanaka airports	• Dec 2019	• The dual airport model was put on hold, awaiting the outcome of the Economic and Social Impact Assessment, as commissioned by QLDC.
	• Develop and roll out an organisational and capability plan to implement the dual airport model	• Jan 2020	• A revised organisational capability plan was developed and executed as a result of the economic impact caused by COVID-19.
	• Internal audit on systems and processes	• Jun 2020	• The internal audit programme undertaken by the independent consulting firm KPMG commenced during FY20.
Strive for an engaged community that values our contributions	• Provide updates through various QAC channels on our sustainability programme to share social, economic and environmental value	• Ongoing	• Sponsorships, Living Wage achievement, development of Sustainability Framework, Regulatory participation (submission to QLDC climate action plan) • Timeline interrupted by COVID-19 response and business stabilisation plan

Working together to deliver balanced outcomes for our team, stakeholders & community			
	• Regularly engage with our shareholders, stakeholders and community about QAC's long term planning activities	• Ongoing	• Achieved - Engagement and communication across multiple platforms when appropriate
	• Work with key agencies on long-term planning initiatives	• Ongoing	• Achieved - Collaborative work with QLDC, transport partners, and Regional Tourism Operators.
	• Engage with our team, airport stakeholders and community through a programme of events: – Behind-the-scenes airport education/community visits at both airports from across the region – Annual Airport Community Day at Queenstown and Wanaka airports – Airport Safety Week programme across both airports	• Throughout the year • Dec each year • Oct each year	• Partially achieved • Timeline negatively impacted by COVID-19 response and business stabilisation plan • ZQN Christmas event held • WKA event cancelled due to COVID-19 (collaboration with NASA cancelled) • Airport Safety Week and Airport Security Week achieved
	• Share airport insights and datasets with stakeholders and community via communication channels	• Monthly, quarterly, 6-monthly, annual	• Proactively distributed insights regularly via website and other channels. Updates from March were delayed due to COVID-19
	• Share relevant airport and aviation news and stories to help inform and educate the communities we serve	• Ongoing	• Quarterly Korero Newsletter was prepared for the September and December quarters. Subsequent newsletters were delayed due to COVID-19
Deliver value to shareholders through sustainable returns	• Deliver dividends per shareholder expectation	• Annual	• FY19 final dividend - paid $7,295,108 • FY20 interim dividend - paid $1,000,000 • FY20 Final dividend – a dividend was not declared due to the negative impact of COVID-19 on QAC cashflows.
	• Deliver Long Term Funding strategy	• Dec 2019	• Achieved
	• Leases and licenses reviewed, renewed and up to date	• 2019-2021	• Achieved

Working together to deliver balanced outcomes for our team, stakeholders & community			
	• Explore and implement opportunities to achieve returns on land and property by releasing current vacant land holdings to the lease-hold market	• 2019-2021	• Opportunities were explored • QAC did not release additional vacant land holdings to the lease-hold market
Enhance collaborative relationships across our airport communities & stakeholders	• Participate in stakeholder and community long term planning forums	• Ongoing	• Achieved
	• Host airport community get-togethers at both airports	• Quarterly	• Achieved
	• Participate in Queenstown and Wanaka user groups	• Quarterly	• Achieved
	• Share customer experience data with the airport community to assist with performance targets	• Quarterly	• Achieved

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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

Opinion

We have audited:

- the financial statements of the company on pages 13 to 43, that comprise the statement of financial position as at 30 June 2020, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on pages 44 to 54.

In our opinion:

- the financial statements of the company on pages 13 to 43:
    - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and

- the performance information of the company on pages 44 to 54 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2020.

Our audit was completed on 19 August 2020. This is the date at which our opinion is expressed.

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

Covid-19

Without modifying our opinion, we draw attention to the disclosure on Covid-19 on page 24 to the financial statements, which explains the impact of the Covid-19 pandemic on the Company.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 11, but does not include the financial statements and performance information, and our auditor's report thereon.

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

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

Independence

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

Other than the audit of the financial statements and the disclosure financial statements, we have no relationship with, or interests in, the company.

Mike Hawken, Partner
for Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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

Opinion

We have audited:

- the financial statements of the company on pages 13 to 43, that comprise the statement of financial position as at 30 June 2020, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on pages 44 to 54.

In our opinion:

- the financial statements of the company on pages 13 to 43:
  - present fairly, in all material respects:
  - its financial position as at 30 June 2020; and
  - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and

- the performance information of the company on pages 44 to 54 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2020.

Our audit was completed on 19 August 2020. This is the date at which our opinion is expressed.

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

Covid-19

Without modifying our opinion, we draw attention to the disclosure on Covid-19 on page 24 to the financial statements, which explains the impact of the Covid-19 pandemic on the Company.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

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

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

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

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

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

Independence

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Other than the audit of the financial statements and the disclosure financial statements, we have no relationship with, or interests in, the company.

Mike Hawken, Partner
for Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand