



Queenstown Airport Corporation Limited

Interim Report

for the Six Month Period Ended 31 December 2019

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Chair and Chief Executive's Report

We are pleased to present Queenstown Airport Corporation's (QAC) interim report for the six-month period to 31 December 2019. Over the period we have made solid progress in key areas of focus, including terminal upgrades, new customer product offerings, technology enhancements, sustainability and business resilience.

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 five 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:

- **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. This is what we as a team strive to do each day.

Significant initiatives are underway to measure and reduce the environmental impact of QAC's business activities, recognising the role we must serve in addressing the global challenge of climate change. We also are committed to the wellbeing of our staff and local communities through initiatives directed at enhancing social sustainability across the region.

A key initiative currently being undertaken is measuring the carbon footprint of our business activities. This process is expected to be completed by June 2020 and will be audited by Toitū Envirocare. Energy, waste and transport have been identified as priority areas in the environmental management plan because of their contribution to our carbon footprint.

Major achievements in these areas during the period included:

- Awarded Sustainability Project of the Year (NZ Airports)
- 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
- Hosted "Roll out the Rainbow" at Queenstown Airport for Winter Pride NZ
- Hosted more than 200 students around the region as part of QAC's education programme
- Continued supporting various local community events and not-for-profit organisations

Financial Performance

The first half of FY20 has delivered solid results with revenue of \$29.1 million, an increase of \$3.8 million (15%) compared to the corresponding period last year. QAC's aeronautical and commercial revenues increased by 12% and 20%, respectively.

Total operating expenditure of \$8.6 million increased \$0.8 million (11%), compared to the corresponding period last year as QAC invested in new technology, infrastructure and organisational capability.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by \$2.9 million (17%), to \$20.4 million. Reported Net Profit After Tax was \$10.8 million, up by \$2.5million (30%) compared to the same period last year.

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

As at 31 December 2019, the Company's financial position remains strong, with term debt totalling \$69.5 million representing 24% of net assets. The equity ratio (total shareholders' funds to total assets) was 73% and interest coverage ratio (EBITDA/finance costs) is 13.6 times.

Shareholder Returns

An interim dividend of \$1.0 million was declared and will be paid in February 2020 to shareholders in line with QAC's dividend policy.

Passenger and Aircraft Movements

During the period there were 1,257,739 passenger movements at Queenstown Airport, up 6% for same period last year. Domestic passenger movements were 840,628, a 1% increase on the same period last year. International passenger movements were 417,111, a 17% increase on the same period last year. These increases in passenger movements reflect the growing residential population in the Southern Lakes Region and higher visitor numbers, particularly from Australia.

Scheduled aircraft movements were 9,594, up 6% for the same period last year. Domestic aircraft movements were 6,438 up 1%. International aircraft movements were 3,156 up 18% on the same period last year.

Commercial general aviation movements at Queenstown Airport were lower, with fixed wing and helicopter landings down 40% on the same period last year due to inclement weather and general market conditions. Private jet landings decreased by 51%.

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. As such we have invested \$5.9m to the end of December 2019 on seismic strengthening work in the terminal. To ensure the infrastructure well exceeds current build codes, QAC is forecasting to spend in excess of \$20m over the next five years on further upgrades.

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

These included:

- Completed Stage 1 of "Project Pathway", a comprehensive programme of works across the terminal and related infrastructure
- Completed full upgrade of border agency spaces to provide additional space
- Installed 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
- Completed or initiated noise mitigation works on 37 homes in the inner noise boundaries

Customer Experience

As part of our goal to enhance the “park to plane” experience for our customers, we have:

- Continued to invest in technology upgrades at the Park and Ride facility, including installation of parking sensors to show real-time availability of spaces on the website
- Increased capacity of Terminal Carpark B by 50 parking spaces in time for the Christmas/New Year holiday period
- 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 terminal
- Continued the rollout of sensor technology across the terminal to provide a more efficient customer journey

People and Culture

QAC has a ‘one team’ philosophy which encourages working together to deliver the best outcomes, sharing responsibility for operational performance and customer experience and investing in the team's development and wellbeing.

We were pleased to achieve Living Wage accreditation during the period, the first airport company in Aotearoa New Zealand to do so. The QAC board of directors and leadership team have prioritised the implementation of the living wage and are committed to extending this beyond QAC employees to our contracted service providers.

We also wish to acknowledge the contribution of Grant Lilly, who retired from the board of directors in October 2019 after serving two terms. During his tenure Grant made a considerable contribution to QAC over his eight years of service. QLDC recently announced the appointment of Simon Flood to the board of directors and we look forward to welcoming Simon to the team.

Coronavirus

The coronavirus outbreak is having an impact globally. While there was no impact on the interim result, we are monitoring this unfolding situation closely and its impact on travel and tourism.

Conclusion

The board of directors acknowledges the hard work and commitment of the QAC team and their contribution to daily operations and important strategic initiatives currently underway. We also note the important work being undertaken by Queenstown Lakes District Council regarding social and economic assessments of future airport development as well as the district spatial plan. We look forward to continuing to work with our shareholders, the community and other stakeholders in the second half of the financial year to ensure the long-term success of QAC as a business, provider of critical regional infrastructure and a good corporate citizen.



Prudence Flacks
Chair
12 February 2020



Colin Keel
Chief Executive

Directors' Responsibility Statement

The Directors of Queenstown Airport Corporation Limited are pleased to present the Interim Report and Financial Statements for Queenstown Airport Corporation Limited for the six-month period ended 31 December 2019.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice which give a true and fair view of the financial position of the Company as at 31 December 2019 and the results of operations and cash flows for the period 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 Interim Report is dated 12 February 2020 and is signed in accordance with a resolution of the Directors.

On Behalf of the Board



Chair



Director

Income Statement

For the six months ended 31 December 2019

	Notes	6 months to 31 Dec 2019 \$ 000's	6 months to 31 Dec 2018 \$ 000's	12 months to 30 June 2019 \$ 000's
Income				
Revenue from contracts with customers	2	19,992	17,639	34,646
Lease revenue		8,575	7,114	13,838
Interest revenue		5	10	34
Other revenue		507	508	1,117
Total income		29,079	25,271	49,635
Expenditure				
Operating expenses		4,720	4,505	8,981
Employee benefits expense		3,952	3,331	6,314
Depreciation and amortisation		4,248	3,961	8,319
Finance costs		1,204	1,410	2,943
Total Expenditure		14,124	13,207	26,557
Profit before income tax		14,955	12,064	23,078
Income tax expense		4,155	3,809	6,488
Profit for the period		10,800	8,255	16,590

The financial statements for the six-month period have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the six months ended 31 December 2019

	Notes	6 months to 31 Dec 2019 \$ 000's	6 months to 31 Dec 2018 \$ 000's	12 Months to 30 Jun 2019 \$ 000's
Profit for the period		10,800	8,255	16,590
Other comprehensive income				
Items that may be subsequently reclassified to profit and loss				
Gain/(loss) on cash flow hedging taken to reserves	7(c)	82	(165)	(693)
Income tax relating to gain/(loss) on cash flow hedging	7(c)	(24)	46	194
Realised gains transferred to income statement	7 (c)	-	-	318
Items that may not be subsequently reclassified to profit and loss				
Gain/(loss) on revaluation of property, plant and equipment	7(b)	-	-	-
Income tax relating to gain/(loss) on revaluation	7(b)	-	-	-
Other comprehensive income for the period net of tax		58	(119)	(181)
Total comprehensive income for the period, net of tax		10,858	8,136	16,409

The financial statements for the six-month period have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the six months ended 31 December 2019

Six months to 31 Dec 2019	Ordinary shares \$ 000's	Asset revaluation reserve \$ 000's	Cash flow hedge reserve \$ 000's	Retained earnings \$ 000's	Total \$ 000's
At 1 July 2019	37,657	204,376	(978)	43,078	284,133
Profit for the period	-	-	-	10,800	10,800
Other comprehensive income	-	-	58	-	58
Total comprehensive income for the period	-	-	58	10,800	10,858
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(7,295)	(7,295)
At 31 December 2019	37,657	204,376	(920)	46,583	287,696

Six months to 31 Dec 2018	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	-	-	-	8,255	8,255
Other comprehensive income	-	-	(119)	-	(119)
Total comprehensive income for the period	-	-	(119)	8,255	8,136
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(6,186)	(6,186)
At 31 December 2018	37,657	204,376	(916)	35,743	276,860

The financial statements for the six-month period have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 Dec 2019 \$ 000's	As at 31 Dec 2018 \$ 000's	As at 30 Jun 2019 \$ 000's
Current assets				
Cash and cash equivalents		1,071	1,610	909
Trade and other receivables		5,731	5,392	3,860
Prepayments		793	665	351
Total current assets		7,595	7,667	5120
Non-current assets				
Property, plant and equipment	4	365,444	351,810	361,450
Intangible assets	5	4,806	3,468	4,514
Total non-current assets		370,250	355,278	365,964
Total assets		377,845	362,945	371,084
Current liabilities				
Trade and other payables		1,510	4,296	4,214
Employee entitlements		1,181	825	1,164
Derivatives	3	22	-	252
Borrowings (secured)	6	11,000	-	20,000
Current tax payable		2,542	2,232	3,370
Total current liabilities		16,255	7,353	29,000
Non-current liabilities				
Borrowings (secured)	6	58,471	63,000	42,700
Derivatives	3	733	300	577
Deferred tax liabilities		14,690	15,432	14,674
Total non-current liabilities		73,894	78,732	57,951
Total liabilities		90,149	86,085	86,951
Net assets		287,696	276,860	284,133
Equity				
Share capital		37,657	37,657	37,657
Retained earnings	7(a)	46,583	35,743	43,078
Asset revaluation reserve	7(b)	204,376	204,376	204,376
Cash flow hedge reserve	7(c)	(920)	(916)	(978)
Total equity		287,696	276,860	284,133

The financial statements for the six-month period have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

Cash Flow Statement

For the six months ended 31 December 2019

	6 months to 31 Dec 2019	6 months to 31 Dec 2018	12 months to 30 Jun 2019
	\$ 000's	\$ 000's	\$ 000's
Cash flows from operating activities			
Receipts from customers	24,238	23,776	49,518
Interest received	5	10	22
Payments to suppliers and employees	(11,376)	(9,026)	(15,809)
Interest paid	(1,204)	(1,486)	(2,910)
Income tax paid	(2,443)	(6,205)	(8,152)
Net cash inflow from operating activities	9,220	7,069	22,669
Cash flows from investing activities			
Purchase of property, plant and equipment	(8,080)	(6,687)	(20,522)
Purchase of intangible assets	(454)	(483)	(1,649)
Net cash inflow from investing activities	(8,534)	(7,170)	(22,171)
Cash flows from financing activities			
Net proceeds from borrowings	6,771	6,000	5,700
Dividends paid to equity holders	(7,295)	(6,186)	(7,186)
Net cash outflow from financing activities	(524)	(186)	(1,486)
Net increase in cash and cash equivalents	162	(287)	(988)
Cash and cash equivalents at the beginning of the period	909	1,897	1,897
Cash and cash equivalents at the end of the period	1,071	1,610	909

The financial statements for the six-month period have not been audited. The full year financial statements to 30 June 2019 have been audited. The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the six months ended 31 December 2019

1. Summary of Significant Accounting Policies

Corporate Information

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

The Company 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.

The Financial Statements for the six-month period ended 31 December 2019 have not been audited.

Basis of Preparation

The condensed interim financial statements comply with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting and International Accounting Standard 34 Interim Financial Reporting. They do not include all the information and disclosures required in the annual financial statements. Consequently, they should be read in conjunction with the annual financial statements and related notes included Queenstown Airport Corporation Limited Annual Report for the year ended 30 June 2019 ('2019 Annual Report').

The financial statements are presented in New Zealand dollars, the Company's functional currency. These financial statements are presented rounded to the nearest one thousand dollars. Due to rounding, numbers presented may not add up precisely to totals provided.

Accounting Policies

The accounting policies and methods of computation are consistent with those used in the most recent annual report.

2. Revenue

Revenue from contracts with customers:	6 months to 31 Dec 2019 \$ 000's	6 months to 31 Dec 2018 \$ 000's	12 months to 30 Jun 2019 \$ 000's
Passenger/landing charges	17,093	15,060	29,088
Ground transport	2,899	2,579	5,558
	<u>19,992</u>	<u>17,639</u>	<u>34,646</u>

Revenues of approximately \$16.4mil are derived from four major customers (December 2018: \$14.3mil). These revenues are attributed mainly to Passenger/landing charges segment.

3. Derivatives

Derivative financial liabilities:

	As at 31 Dec 2019 \$ 000's	As at 31 Dec 2018 \$ 000's	As at 30 Jun 2019 \$ 000's
Interest rate swap (i) (effective)	753	283	817
Foreign exchange forward contracts (effective)	2	17	12
	<u>755</u>	<u>300</u>	<u>829</u>

In order to protect against rising interest rates the Company has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

- i. Interest rate swaps in place of \$25.5 million (2018: \$22.5 million) cover approximately 37% (2018:36%) of the principal outstanding at 31 December 2019. The fixed interest rates range between 2.008% and 2.623% (2018: 2.345% and 2.623%). The interest rate swaps are designated hedge relationships and therefore to the extent that the relationship is effective, movements are recognised in Other Comprehensive Income.

During the year ending 30 June 2016, the Company entered into a contract to lease land near Wanaka to The National Aeronautics and Space Administration (NASA) of the United States of America, the rental of which is received in US dollars. To mitigate the exchange risk on these receipts, the Company has also entered into foreign exchange forward contracts to sell US dollars and buy NZD, to hedge the revenue payable by NASA, until 7th February 2020.

4. Property, Plant and Equipment

	As at 31 Dec 2019 \$ 000's	As at 31 Dec 2018 \$ 000's	As at 30 Jun 2019 \$ 000's
Fair Value/Cost			
Opening balance	379,696	357,135	357,135
Additions	8,080	8,726	22,561
Total Fair Value / Cost closing balance	<u>387,776</u>	<u>365,861</u>	<u>379,696</u>
Accumulated depreciation			
Opening balance	18,246	10,252	10,252
Depreciation expense	4,086	3,799	7,994
Total accumulated depreciation	<u>22,332</u>	<u>14,051</u>	<u>18,246</u>
Carrying Value	<u>365,444</u>	<u>351,810</u>	<u>361,450</u>

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

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.

5. Intangible Assets

	As at 31 Dec 2019 \$ 000's	As at 31 Dec 2018 \$ 000's	As at 30 Jun 2019 \$ 000's
Cost			
Opening balance	6,516	4,832	4,832
Additions from internal developments	454	475	1,684
Total cost closing balance	6,970	5,307	6,516
Accumulated amortisation			
Opening balance	2,002	1,677	1,677
Amortisation expense	162	162	325
Total accumulated amortisation	2,164	1,839	2,002
Carrying Value	4,806	3,468	4,514

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

6. Borrowings

Counterparty	31 Dec 2019			Drawn at 31 Dec 2018 \$ 000's	Drawn at 30 Jun 2019 \$ 000's
	Expiry Date	Line limit \$ 000's	Drawn \$ 000's		
BNZ	31 July 2021	30,000	29,471	37,000	16,700
Westpac	29 April 2023	60,000	29,000	26,000	26,000
ASB	29 April 2020	20,000	11,000	-	20,000
Bank of China Facility	29 April 2023	30,000	-	-	-
Total borrowings		140,000	69,471	63,000	62,700
Current			11,000	-	20,000
Non-current			58,471	63,000	42,700

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 period ending 31 December 2019 was 4.08% (December 2018: 4.59%).

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

During the period the total bank facilities were decreased from \$220 million \$140 million to align with the forecast debt position to 2023. All of the existing funders were retained in the funding group. The balance drawn with ASB at 31 December 2019 (\$11 million) was designated as a current liability as the expiry date is within 12 months of the reporting date. Subsequent to 31 December 2019 the expiry date of the ASB facility was extended to 30 April 2021.

7. Retained Earnings and Reserves

	As at 31 Dec 2019 \$ 000's	As at 31 Dec 2018 \$ 000's	As at 30 Jun 2019 \$ 000's
(a) Retained Earnings			
Balance at the beginning of the period	43,078	33,674	33,674
Profit for the period after taxation	10,800	8,255	16,590
Dividends paid during the period (i)	(7,295)	(6,186)	(7,186)
Balance at the end of period	46,583	35,743	43,078
(i) Dividends Paid			
Final dividend	7,295	6,186	6,186
Interim dividend	-	-	1,000
Total Dividend Paid	7,295	6,186	7,186

On 20th August 2019 a final dividend of 45.42 cents per share (total dividend of \$7,295,108) for the year ended 30 June 2019 was paid to holders of fully paid ordinary shares.

(b) Asset Revaluation Reserve

Balance at the beginning of the period	204,376	204,376	204,376
Increase arising on revaluation of assets	-	-	-
Deferred tax movement arising on revaluation	-	-	-
Reclassification in retained earnings	-	-	-
Balance at the end of period	204,376	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

Balance at the beginning of the year	(978)	(797)	(797)
Gain/(loss) recognised on interest rate swaps	75	(175)	(708)
Deferred tax movement arising on interest rate swaps	(21)	49	198
Gain recognised on forward exchange contracts	7	10	15
Deferred tax movement arising on fwd exchange contracts	(3)	(3)	(4)
Realised losses transferred to the income statement	-	-	318
Balance at End of Period	(920)	(916)	(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.

8. Commitments for Capital Expenditure

	As at 31 Dec 2019 \$ 000's	As at 31 Dec 2018 \$ 000's	As at 30 Jun 2019 \$ 000's
Acquisition of property, plant and equipment	8,178	5,275	4,634
Total Capital Commitments	8,178	5,275	4.634

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.

The Company entered into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales in USD. These foreign exchange forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast revenues in USD. These forecast transactions are highly probable, and they comprise 100% of the Company's total expected revenues in USD. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. At 31 December 2019 a net unrealised gain of \$2,000 net of tax \$1,000 relating to the hedging instruments, is included in other comprehensive income (2018: unrealised loss of \$7,000 net of tax \$3,000). It is anticipated that the lease payments received over the period of lease, will match the timing and amount of each forward foreign exchange contract.

(b) Interest Rate Risk Management

The Company has interest rate risk resulting from its floating rate borrowings under its debt facility. In order to protect against this risk, the Company has entered into interest rate swaps agreements, under which it has the right 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.

At 31 December 2019 the Company had interest rate swap agreements in place with a notional amount of \$25.5 million (2018: \$22.5 million), covering approximately 37% of the principal outstanding (2018: 36%). The interest rate swaps are designated hedge relationships and the hedge was assessed to be highly effective over the term of the hedge relationship. As a result, a net unrealised gain of \$54,000 net of tax \$21,000 relating to the hedging instruments, is included in other comprehensive income (2018: unrealised loss of \$126,000 net of tax \$49,000).

(c) Capital Risk Management

When managing capital, management ensures: the Company continues as a going concern; the Company has access to sufficient capital to fund investments including Master Plan capital expenditure; 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.

10. Contingent Liabilities

(a) Noise Mitigation

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

Inner Noise Mitigation

As at 31 December 2019, the company had started inner noise mitigation on 37 properties (7 are owned by the Company), at a total cost of \$1,744,000. The cost to remediate the 20 properties which are completed on the programme was \$1,509,000.

During the period the company has continued to progress the delivery of inner noise mitigation packages that were offered to 23 properties (not owned by the Company).

Mid Noise Mitigation

Prior to 31 December 2019 the Company had made a commitment to provide noise mitigation works (mechanical ventilation) to 131 properties. As at 31 December 2019, 58 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

(b) Land Acquisition

During the period QAC 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 QAC on 1 November, being 14 days after publication of the proclamation in the New Zealand Gazette. The land value will be determined as at the date that the land vested. At 31 December 2019 the compensation amount for Lot 6 had not been agreed between the parties.

(c) Litigation

During the period 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 \$110k in legal costs and is forecasting a significant increase in costs in the future to respond to this matter.

11. Related Party Disclosures

QAC 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
- Mark R Thomson – General Manager Property, Auckland International Airport Limited

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

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

	6 months to 31 Dec 2019	6 months to 31 Dec 2018	12 months to 30 Jun 2019
	\$ 000's	\$ 000's	\$ 000's
<u>Queenstown Lakes District Council</u>			
Rates	(246)	(241)	(481)
Resource and building consent costs & collection fees	(18)	(9)	(18)
Parking Infringement & Frankton Golf Club Income	41	20	123
<u>Auckland International Airport Limited</u>			
Rescue fire training & Directors Fees	(70)	(55)	(84)
Queenstown Airport Corporation Limited receives services from Auckland International Airport Limited for which no consideration is paid.			
<u>BNZ</u>			
Interest paid, other bank fees and interest received	(612)	(657)	(1,120)

Amounts payable to related parties at balance date:

Queenstown Lakes District Council	-	(1)	(3)
BNZ Borrowings & Interest Accrual	(29,471)	(31,134)	(16,740)

12. Subsequent Events

The directors resolved on 12 February 2020 that an interim dividend of \$1,000,000 be paid to shareholders on 13 February 2020. There were no other significant events after balance date.