Queenstown Airport Corporation Limited

Annual Report for Financial Year Ended 30 June 2015

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BOARD OF DIRECTORS	John W Gilks (Chairman) James W P Hadley Grant R Lilly Michael P Stiassny (Appointed 4/12/2014) Norman J Thompson (Appointed 4/12/2014) Alison Gerry (Resigned 1/9/2014) Richard G Tweedie (Resigned 4/12/2014)
CHIEF EXECUTIVE OFFICER	Scott Paterson
AUDITORS	B E Tomkins of Deloitte (on behalf of the Controller and Auditor General) PO Box 1245 Dunedin
BANKERS	Westpac Terrace Junction 1092 Frankton Road Queenstown

Annual Report

Your Directors have pleasure in submitting the Annual Report together with the financial accounts of the Company for the year ended 30 June 2015.

1. **Financial Statements**
   The financial statements of the Company for the year ended 30 June 2015 follow this report.

2. **Principal Activities of the Company**
   The principal activity of the Company during the year was airport operator.

   There have been no material changes in the business that the Company is engaged in, during the year, which is material to an understanding of the Company's business.

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

3. **Board of Directors**
   The Directors of the Company during the year under review were:
   John W Gilks (Chairman)
   James WP Hadley
   Grant R Lilly
   Michael P Stiassny (Appointed 4/12/2014)
   Norman J Thompson (Appointed 4/12/2014)

   Alison Gerry (Resigned 1/9/2014)
   Richard G Tweedie (Resigned 4/12/2014)

4. **Results For the Year Ended 30 June 2015**
   Profit for the year was $8,312,148 compared with a profit of $6,633,533 in the previous year.

   The directors resolved on 19 August 2015 that the dividend for the year ended 30 June 2015 be $5,156,074 (2014: $4,316,766).

   An Interim dividend of $1,000,000 was paid to the shareholders on 4 February 2015, leaving a final dividend of $4,156,074 to be paid on 21 August 2015, to be distributed to the shareholders as follows:

Queenstown Lakes District Council	$3,117,471
Auckland Airport Holdings (No 2) Limited	$1,038,603

Appropriation Account for the year ended 30 June 2015	**$ 000's**
Profit for the year	$8,312
Plus retained earnings brought forward	$13,441
Dividends paid	$(4,317)
Retained earnings to be carried forward	$17,436

5. **Directors Interests**
   The directors of the Company entered into the following transactions during the year:

   During the year Hadley Consultants Limited were contracted to provide consultant-engineering services at the airport. James Hadley is a director of Hadley Consultants Limited.

   The Civil Aviation Authority of New Zealand (CAA) has regulatory oversight of Queenstown Airport Corporation Limited as a certified airport operator. Grant Lilly is a director of CAA. Appropriate arrangements are in place to manage this relationship.

   Alison Gerry is a director of Pioneer Generation Limited. The Company received its power from Pioneer Generation Limited during the period Alison Gerry was a director of the Company.

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 directors remuneration authorised and received during the year.

	2015	2014
JW Gilks	52,000	45,500
A Gerry	8,875	30,000
JWP Hadley	35,000	28,000
GR Lilly	33,500	28,000
MP Stiassny	17,875	-
NJ Thompson	16,936	-
RG Tweedie	13,573	24,000
	$177,759	**$155,500**

8. Remuneration of Employees

There were three employees who received remuneration and any other benefits in excess of $100,000 for the financial year as follows:

Bracket	2015 Number of Employees	2014 Number of Employees
$140,000 – $150,000	1	1
$210,000 – $220,000	1	-
$270,000 – $280,000	-	1
$320,000 – $330,000	1	-

9. Donations

The Company made donations totalling $9,635 during the year.

10. Use of Company Information

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

11. Auditor

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

On Behalf of the Board

Chairman

Chairman and Chief Executive's Report

A sustained period of outstanding passenger growth has underpinned QAC's strong financial performance for the 2014/15 financial year. Growth projections remain strong, bringing challenges for the region to continue to deliver a quality visitor experience and meet community expectations. The need for investment and development of infrastructure to keep pace with this anticipated growth is a particular challenge which QAC is committed to working with the community and key stakeholders to resolve.

Financial performance

QAC is pleased to report another strong year across both aeronautical and commercial activities in the financial year to June 2015.

Net Profit after Tax was $8.3 million, up 25 per cent from the previous year's profit of $6.6 million.

Total revenue of $24.8 million grew 13 per cent from $21.9 million last year driven by strong passenger volumes, greater retail spend per passenger, more car parking and improved commercial leasing revenues.

Operating expenses were up $1.6 million to $8.2 million due to one-off runway repairs and the cost of additional staff. Operating Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) increased by $1.4 million, or 9 per cent, to $16.6 million.

The company invested significantly in airport infrastructure during the year with capital expenditure of $16.5 million compared to $4.1 million the previous year. The highlight of this investment was the completion of the new international terminal in June 2015.

The company's financial position remains strong. As at 30 June 2015, term debt totalled $25.3 million, representing 15.7 per cent of net assets. The equity ratio (total shareholders' funds to total tangible assets) was 81.4 per cent and interest cover (EBITDA/interest) 15.2 times.

Returns to shareholders

QAC returned a total of $5.2 million to its two shareholders Queenstown Lakes District Council (75.1%) and Auckland Airport (24.9%), which was a 19 per cent increase on the 2013-14 dividend.

A fully imputed interim dividend of 6.2 cents a share ($1.0 million) was paid on 4 February 2015 and a fully imputed final dividend of 25.9 cents a share ($4.2 million) was declared on 19 August. These dividends are covered 1.6 times by after tax earnings for the year.

Period of outstanding growth

Aeronautical growth

Sustained passenger growth has again underpinned QAC's financial performance, helped by a sharp increase in trans-Tasman visitors, up 29 per cent on last year.

In the 12 months ended June 2015, the airport welcomed a total of 1,398,640 passengers, up 149,761 (12 per cent) on the previous year's record.

International passengers arriving from four trans-Tasman ports comprised 28 per cent of overall passenger numbers. Seventy-two per cent arrived on domestic flights from Auckland, Wellington and Christchurch, though a significant portion of these domestic passengers were themselves international visitors to the region.

Trans-Tasman capacity and connectivity were boosted by the return of Jetstar's three-times weekly direct Gold Coast-Queenstown service from 13 December 2014, giving us the ability to tap into the northern New South Wales and south-east Queensland market and its 1.5 million residents. It has effectively created another hub for long haul travellers looking to experience Australia and New Zealand as a dual destination.

The airport's other trans-Tasman routes – Brisbane, Sydney and Melbourne – all enjoyed double digit percentage growth thanks to extra capacity and frequency added by our airlines.

Domestic passenger numbers rebounded this year, increasing 6.4 per cent to hit the one million mark for the first time. Two-thirds of this volume came from the Auckland-Queenstown route.

The airport's private jet operations - both short and long haul - also went from strength to strength this year, increasing 20 per cent to 218 landings, with aircraft flying direct from north Asia and the West Coast of the United States. Commercial general aviation operators – 'flight-seeing' aircraft and helicopters – benefited from the visitor growth to the region, and the number of landings increased by 10 per cent.

Our strategic alliance with Auckland Airport, New Zealand's largest travel gateway, continues to deliver long-term value, providing improved connectivity and resources otherwise not available to us. This has been reflected in our passenger growth and helped us improve operational and cost efficiencies.

We are very grateful for the ongoing support of our four commercial airlines – Air New Zealand, Jetstar, Qantas, and Virgin Australia - and their global airline partners. Their forward schedules demonstrate a strong desire to meet continuing demand, grow sustainable capacity and improve connectivity, which will ultimately provide inbound and outbound travellers with more choice and flexibility. In particular, Air New Zealand's commitment to adding more than 110,000 additional seats between Queenstown and Auckland in FY2016 is extremely positive.

Commercial/retail growth

The commercial and retail improvement programme we embarked on a little over two years ago is reaping rewards and we continue to be bullish in our outlook for profitable growth from our retail precinct.

In the year under review, the rate of revenue growth exceeded that of aeronautical and the speed and willingness with which operators have taken up new space has demonstrated the popularity of Queenstown Airport as a retail destination.

New offerings in the past year include Airspresso Café and Bar (opened July 2014), the Manaia Passenger Lounge (October 2014) and TravelPharm (December 2014). All have proved very popular with airport visitors.

Managing our ongoing growth

The 2014-15 financial year was the most challenging to date in terms of handling growth.

Winter 2014 saw the airport handle a record number of international passengers and flights by using a temporary 'pop-up' structure to expand the international arrivals area. This was prior to commencing construction of our new $17 million international terminal in October 2014.

The 5,000 sqm addition to the southern end of the terminal opened for business in time for the winter 2015 peak season and has doubled the size of the airport's international operations to provide a top-class facility for international visitors. It allows us to better cater for existing passenger volumes and accommodate future growth. Key features include two new gate lounges which continue the theme of stunning floor-to-ceiling alpine views, a new Customs processing area, expanded airside retail outlets, a third baggage carousel and back-of-house handling areas all designed to improve the passenger experience.

Before the busy Christmas period and peak summer season commenced we made changes to the airport's road layout to address safety concerns and provide more capacity for coaches servicing a booming tour market. We also added 36 new spaces to the public carpark and work is underway to identify road access improvements that will further improve landside pedestrian and traffic experiences for airport visitors.

We will continue to work closely with aviation and tourism partners to identify growth opportunities for the future, particularly in off-peak months, and ensure our infrastructure is developed to meet demand. Growth projections remain very strong and we are mindful that there will be a need to manage this growth in line with community expectations. We see the need for the community to continue to invest in the region's infrastructure and tourism facilities to both maintain a quality visitor experience and to handle the anticipated growth from new and emerging long haul markets.

Our next large scale development will be a new aviation precinct stretching along the southern side of the airport. This important strategic development will accommodate Queenstown's general aviation industry and allow for world-class private jet facilities to be available at Queenstown. Land surrounding the terminal and carpark currently occupied by general aviation will be freed up for much needed expansion that will benefit all airport users.

Securing the 16ha of required land (referred to as Lot 6) from our neighbour Remarkables Park Ltd is critically important in realising this growth opportunity. To date, progress on securing the land has been slow and a compulsory land acquisition process is working its way through the Environment Court. As at 30 June 2015 a total of $3.4 million has been spent on the Lot 6 process. In the short term, we will continue to manage the resulting capacity constraints on airport users but in the medium term we face the very real prospect of the airport's ability to meet the growth needs of the community being severely restricted if Lot 6 is not secured.

Evening flights

Introducing evening flights during the winter months is another key long term growth opportunity and we believe it will be a game changer for the region's visitor sector and for the airport. It will enhance our potential as an international airport, allow better utilisation of our infrastructure, spread peak loads, and create new employment opportunities at the airport and for the region.

Required Navigation Performance Authorisation Required (RNP AR) technology, used by our partner airlines to fly jet aircraft in a range of weather conditions, has improved our airspace capacity and operational efficiency and has been a key enabler for after-dark flights.

Following CAA and CASA approval of our after-dark flights Foundation Safety Case in May 2014 we plan, this coming summer, to put the required infrastructure in place by widening the runway and installing an advanced aviation lighting system. Interested partner airlines are also working towards applying to the regulator for individual operator approval. We continue to work collaboratively with all parties involved and remain optimistic that the airport will be ready to accept evening flights by winter 2016.

Aircraft noise management

The primary focus of our Aircraft Noise Management Plan this year has been directed at the 13 Inner Noise Sector homes most affected by aircraft noise. This has involved each home being assessed by noise management experts and an appropriate acoustic treatment package being developed.

Acoustic packages have now been installed in two trial houses to ensure that we can achieve the required noise mitigation results ahead of rolling out this programme.

The next phase is expected to take 18-24 months and will include mechanical ventilation offers to an estimated 123 Mid Noise Sector houses in 2016. The programme will then continue in annual or two-yearly tranches for the next 20 years.

Community involvement

We work hard to support our regional communities in various ways including through marketing promotions, local events and the efforts of various not-for-profit organisations. We also contribute staff to initiatives such as Shaping Our Future and its associated Visitor and Tourism Industry and Transport Task Forces.

We recognise the success of large-scale events in promoting our region and attracting visitors through the airport. This year we provided in-kind support to events such as the Winter Festival, NZ Golf Open, Winter Games, and the Queenstown Marathon as well as supporting Destination Queenstown's Urban Vineyard event and Ski Tourism Marketing Network's marketing campaign. We also provided operational support to Wanaka Airport which, this year, included assisting with the logistics of the NASA balloon launch in March.

Our team

Queenstown Airport is a reflection of the quality and culture of its people. A sincere thank-you goes to our QAC team and wider airport community, service providers, contractors, and stakeholders for their hard work, expertise, passion and commitment to excellence in helping us deliver an excellent financial result and an outstanding visitor experience.

We would also like to acknowledge the contribution provided by outgoing QAC directors Alison Gerry and Richard Tweedie and welcome new directors Michael Stiassny and Norm Thompson.

Outlook

Looking ahead, we remain confident about the sustainability of trans-Tasman growth – we anticipate strong future passenger growth but acknowledge it may not continue at the record levels seen during 2014/15.

Critical factors for the airport in achieving continued growth include the relocation of General Aviation operators to a planned new aviation precinct which, in turn, depends of acquiring the Lot 6 land. Other contributing factors will be the Queenstown Lakes District's willingness and ability to develop tourist-related infrastructure and facilities to accommodate the anticipated growth.

Forward flight schedules look good and overall we feel confident that 2015/16 will be another successful year for Queenstown Airport Corporation.

John Gilks
Chairman
19 August 2015

Scott Paterson
Chief Executive Officer

Directors' Responsibility Statement

The Directors of Queenstown Airport Corporation Limited are pleased to present the Annual Report and Financial Statements for Queenstown Airport Corporation Limited for the year to 30 June 2015.

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 2015 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.

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 2015 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Board by:

Director

Director

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 30 June 2015

	Notes	2015 $ 000's	2014 $ 000's
Income			
Revenue	2(a)	24,836	21,905
Other gains/(losses)		-	-
Total income		**24,836**	**21,905**
Expenditure			
Operating expenses	4	5,669	4,448
Employee benefits expense	2(b)	2,554	2,220
Total operating expenditure		**8,223**	**6,668**
Operating earnings before interest, taxation, depreciation and amortisation		**16,613**	**15,237**
Depreciation	2(c)	4,100	3,848
Amortisation		131	53
Operating earnings before interest and taxation		**12,383**	**11,337**
Finance costs	2(d)	877	1,352
Profit before income tax		**11,506**	**9,985**
Income tax expense	3(a)	3,194	3,351
Profit for the year		**$8,312**	**$6,634**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss			
Gain/(loss) on cash flow hedging taken to reserves	6	(900)	694
Income tax relating to Gain/(loss) on cash flow hedging	3(b)	252	(194)
Items that may not be subsequently reclassified to profit and loss			-
Gain/(loss) on revaluation of property, plant and equipment	7	-	33,350
Income tax relating to Gain/(loss) on revaluation	3(b)	-	(1,695)
Other comprehensive income for the year net of tax		**(648)**	**32,155**
Total comprehensive income for the year, net of taxation		**$7,664**	**$38,789**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	2015 $ 000's	2014 $ 000's
Current assets			
Cash and cash equivalents	16(a)	271	305
Trade and other receivables	5	1,914	1,636
Prepayments		145	41
Total current assets		**2,330**	**1,982**
Non-current assets			
Property, plant and equipment	7	195,282	182,928
Intangible assets	8	2,514	2,425
Total non-current assets		**197,796**	**185,353**
Total assets		**200,126**	**187,335**
Current liabilities			
Trade and other payables	9	3,305	2,126
Income in advance		34	46
Employee entitlements	10	299	280
Current tax payable		1,206	1,774
Total current liabilities		**4,844**	**4,226**
Non-current liabilities			
Borrowings (secured)	11	25,260	16,500
Derivatives	6	1,362	512
Deferred tax liabilities	3(c)	7,601	8,385
Total non-current liabilities		**34,223**	**25,397**
Total liabilities		**39,067**	**29,623**
Net assets		**$161,060**	**$157,712**
Equity			
Share capital	12	37,657	37,657
Retained earnings		17,436	13,441
Asset revaluation reserve	13	106,643	106,643
Cash flow hedge reserve	13	(677)	(29)
Total equity		**$161,060**	**$157,712**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 30 June 2015

	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 2014	**37,657**	**106,643**	**(29)**	**13,441**	**157,712**
Profit for the period	-	-	-	8,312	8,312
Other comprehensive income	-	-	(648)	-	(648)
Total comprehensive income for the period	**-**	**-**	**(648)**	**8,312**	**7,664**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(4,317)	(4,317)
At 30 June 2015	**$37,657**	**$106,643**	**$(677)**	**$17,436**	**$161,060**

	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 2013	**37,657**	**74,988**	**(529)**	**10,448**	**122,564**
Profit for the period	-	-	-	6,634	6,634
Other comprehensive income	-	31,655	500	-	32,155
Total comprehensive income for the period	**-**	**31,655**	**500**	**6,634**	**38,789**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(3,640)	(3,640)
At 30 June 2014	**$37,657**	**$106,643**	**$(29)**	**$13,441**	**$157,712**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the financial year ended 30 June 2015

	Notes	2015 $ 000's	2014 $ 000's
Cash flows from operating activities			
Receipts from customers		24,546	22,029
Payments to suppliers and employees		(7,742)	(6,280)
Interest paid		(979)	(1,271)
Income tax paid (net)		(4,294)	(2,379)
Net cash inflow/(outflow) from operating activities	16(b)	**11,531**	**12,099**
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,788)	(4,062)
Purchase of intangible assets		(220)	(56)
Net cash inflow/(outflow) from investing activities		**(16,008)**	**(4,118)**
Cash flows from financing activities			
Net proceeds from borrowings/(repayments)		8,760	(4,113)
Dividends paid to equity holders of the parent		(4,317)	(3,640)
Net cash inflow/(outflow) from financing activities		**4,443**	**(7,753)**
Net increase/(decrease) in cash and cash equivalents		**(34)**	**228**
Cash and cash equivalents at the beginning of the financial year		**305**	**77**
Cash and cash equivalents at the end of the financial year	16(a)	**$271**	**$305**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2015

1. Summary of Significant Accounting Policies

Reporting Entity

Queenstown Airport Corporation Limited ("the Company") 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 oriented company incorporated and domiciled in New Zealand. Its principal activity is the operation of a commercial airport in Queenstown, New Zealand.

(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, the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, 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 and certain items of property, plant and equipment (see notes 1(i) and 1(j)). Historical cost is based on the fair values of the consideration given in exchange for assets.

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 NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities that qualify for differential reporting concessions.

The Company qualifies for Differential Reporting exemptions as it does not have public accountability (as defined in NZ IFRS) and it is not large (in accordance with the External Reporting Board transitional period). All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted with the exception of:

- The exemptions available in NZ IAS 7 *"Cash Flow Statements"*
- The exemptions available in NZ IAS 12 *"Income Taxes"*
- The exemptions available in NZ IAS 23 *"Borrowing Costs"*

(c) Change in Accounting Policy

Commencing 1 July 2014, the company began capitalising labour and funding costs directly attributable to the acquisition, construction or production of a qualifying asset. This change was made in order to provide a more relevant and reliable measure of such costs in light of significant capital expenditure relating to the new terminal. There is no impact on prior year financials as a result of this change in accounting policy.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

(i) Rendering of services

Revenue from the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Passenger Charges and Car Park Revenue are recognised in the accounting period in which the actual service is provided to the customer.

(ii) Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(iii) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iv) Sale of property, plant and equipment

Net gains or losses on the sale of property plant and equipment and financial assets are recognised when an unconditional contract is in place and it is probable that the Company will receive the consideration due.

(e) Leases

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

(i) Company as a lessee
Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Company as a lessor
Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents, such as turnover based rents, are recognised as revenue in the period in which they are earned.

(f) Taxation

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

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation

Deloitte For Identification

of taxable profit and is accounted for using the comprehensive balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax is recognised as an expense or income in Profit for the year, except when it relates to items credited or debited directly to other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(g) Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (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.

(h) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and bank overdrafts that the Company invests in as part of its day to day cash management.

Operating activities include cash received from all income sources of the Company and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt structure of the Company.

(i) Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to contractual provisions of the instrument.

(i) <u>Financial Assets</u>

The effective interest method, referred to below, is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in the Profit for the year. The net gain or loss is recognised in the Profit for the year and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

Loans and Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss for the year.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss for the year to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial Liabilities

Trade & Other Payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit or loss over the period of the borrowing using the effective interest method.

(iii) Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of the derivative financial instruments are disclosed in note 6.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the nature and timing of the recognition in profit or loss depends on the nature of the hedging relationship.

(iv) Hedge Accounting

The Company designates certain hedging instruments, which may include derivatives, as cash flow hedges.

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedged relationship is highly effective in offsetting changes in fair values or cash flows hedged item.

Note 6 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in other comprehensive income.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts recognised in the hedging reserve are reclassified from equity to profit or loss (as a reclassification adjustment) in the periods when the hedging item is recognised in the profit or loss, in the same line as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability (as a reclassification adjustment).

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in the profit or loss.

(j) 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.

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.

Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

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. These valuation approaches have been applied as follows:

Asset	Valuation Approach
Land	Market Value
Runways, Taxiways & Aprons	Optimised Depreciated Replacement Cost
Terminal and Rescue Fire Buildings	Optimised Depreciated Replacement Cost
Ground leases and Commercial buildings	Market Value
Roading and Car Parking	Market Value

Depreciation

Depreciation is provided on a diminishing value (DV) basis for all assets except 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
Buildings	2.5-33.0%	DV
Runways, Taxiways & Aprons	1.0-20.0%	SL
Plant & Equipment	4.8-50.0%	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 profit and loss in the period in which they are incurred.

(k) Intangible Assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. 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 annual reporting period, with the effect of any changes in estimate being accounted for prospectively.

(l) 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.

(m) Employee Benefits

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to sick leave are calculated based on an actuarial approach to assess the level of leave that is expected to be taken over and above the annual entitlement, and calculated using anticipated future pay rates.

(n) Standards and Interpretations effective in the current period

The New Zealand Financial Reporting Framework is changing and the differential reporting framework is being withdrawn from periods beginning on or after 1 April 2015. The Company is expected to be able to make use of the NZ IFRS Reduced Disclosure Regime under the new financial reporting framework. The company has not early adopted any of the reporting standards required under this regime. The impacts of this are currently being considered by the Company, but are expected to require changes to both recognition and disclosure requirements.

2. Surplus from Operations

(a) Revenue

	2015 $ 000's	2014 $ 000's
Revenue consisted of the following items:		
Revenue from rendering of services:		
Passenger/Landing Charges	15,005	13,541
Car Park Revenue	2,157	1,885
Total revenue from rendering of services	**17,162**	**15,426**
Operating lease rental revenue	**6,883**	**5,743**
Interest Revenue:		
Inland Revenue Department	0	4
Total interest revenue	**0**	**4**
Other revenue	**791**	**732**
Total Revenue	**$24,836**	**$21,905**

(b) Employee Benefits Expense

Salaries and wages	2,376	2,065
Directors fees	178	155
	$2,554	**$2,220**

(c) Depreciation

Buildings	1,378	1,234
Runway, taxiways & aprons	1,022	1,141
Vehicles, plant & equipment	1,700	1,473
Total Depreciation	**$4,100**	**$3,848**

(d) Finance Costs

Interest on borrowings	1,096	1,352
Less: Interest capitalised to projects	(219)	-
	$877	**$1,352**

Interest is capitalised at the weighted average cost of borrowings for the project of 5.5%.

3. INCOME TAXES

(a) Income Tax Recognised in Profit or Loss

	2015 $ 000's	2014 $ 000's
Tax expense/(income) comprises:		
Current tax expense/(credit):		
Current year	3,718	3,084
Adjustments for prior years	8	137
	3,726	**3,221**
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(546)	144
Other Movements	14	-
Adjustment for prior year	-	(14)
Total deferred tax (credit)/expense	**(532)**	**130**
Total tax expense	**$3,194**	**$3,351**

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

	2015 $ 000's	2014 $ 000's
Surplus before income tax	**11,506**	**9,985**
Income tax expense calculated at 28%	3,222	2,796
Permanent Differences	4	(46)
Reversal of temporary difference	(22)	479
Adjustment for prior years	7	123
Other	(17)	-
Income tax expense	**$3,194**	**$3,351**

(b) Income Tax Recognised Directly In Other Comprehensive Income

Deferred tax of $252,009 (2014: $194,430) has been charged directly to other comprehensive income during the period, relating to the fair value movement of derivative financial instruments. Last year, deferred tax of $1,695,212 was charged directly to other comprehensive income relating to the fair value movement of fixed assets.

(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

2015	**Opening balance**	**Charged to profit for the year**	**Charged to other comprehensive income**	**Closing balance**
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Gross deferred tax assets/(liability):				
Property, plant and equipment	(7,893)	391	-	(7,502)
Intangible assets	(667)	36	-	(631)
Employee benefits	31	13	-	44
Derivatives	144	(14)	252	382
Trade and other payables	-	106	-	106
	$(8,385)	**$532**	**$252**	**$(7,601)**

2014	**Opening balance**	**Charged to profit for the year**	**Charged to other comprehensive income**	**Closing balance**
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Gross deferred tax assets/(liability):				
Property, plant and equipment	(6,646)	448	(1,695)	(7,893)
Intangible assets	(138)	(530)	-	(667)
Employee benefits	51	(20)	-	31
Derivatives	338	-	(194)	144
Trade and other payables	29	(29)	-	-
	$(6,366)	**$(131)**	**$(1,889)**	**$(8,385)**

(d) Imputation Credit Account Balances

	2015	**2014**
	$ 000's	**$ 000's**
Balance at beginning of year	8,177	7,006
Income tax paid	3,715	3,079
Tax credits relating to dividend payment	(1,679)	(1,416)
Adjustment to prior year	-	(492)
Balance at end of year	**$10,213**	**$8,177**

4. Operating Expenses

	2015 $ 000's	2014 $ 000's
Total Operating Expenses	**$5,669**	**$4,448**
Operating expenses include the following:		
Audit fees - disclosure financial statements	39	38
Audit fees - financial statement audit	44	43
Bad debts written off	-	3
Doubtful debts	14	-
Loss on disposal of fixed assets	61	-

The auditor of Queenstown Airport Corporation Limited for and on behalf of the Office of the Auditor-General is Brett Tomkins of Deloitte.

5. Trade & Other Receivables

	2015 $ 000's	2014 $ 000's
Trade and other receivables	1,928	1,636
Allowance for doubtful debts	(14)	-
Total Trade & Other Receivables	**$1,914**	**$1,636**

6. Derivatives

Derivative financial assets/(liabilities);

Interest rate swap (i) (effective)	(1,362)	(512)
Interest rate option (ii) (not designated)	-	-
	$(1,362)	**$(512)**

In order to protect against rising interest rates the Company has entered into interest rate swap and option 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 cover approximately 40% of the principal outstanding. The fixed interest rates range between 4.780% and 5.615% (2014: 4.735% and 5.695%). 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.
ii. As at balance date the Company no longer holds an interest rate option for $10,000,000 at a rate of 7%. Last year the interest rate option was not part of a designated hedge relationship and therefore movements were recognised in the profit or loss.

7. Property, Plant and Equipment

	Land	Buildings	Runways, Taxiways & Aprons	Plant & Equipment	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At fair value	103,347	34,147	26,666	7,560	171,720
At Cost	-	379	1,097	11,423	12,899
Work in progress at cost	2,633	618	67	421	3,739
Accumulated Depreciation	-	-	-	(5,430)	(5,430)
Balances as at 1 July 2014	**$105,980**	**$35,144**	**$27,830**	**$13,974**	**$182,928**
Additions	763	14,296	101	1,360	16,520
Revaluation	-	-	-	-	-
Disposals	-	-	-	(66)	(66)
Depreciation	-	(1,378)	(1,022)	(1,700)	(4,100)
Movement to 30th June 2015	**$763**	**$12,918**	**$(921)**	**$(406)**	**$12,354**
At fair value	103,347	34,147	26,666	7,560	171,720
At Cost		516	1,265	12,093	13,874
Work in progress at cost	3,396	14,777	-	679	18,852
Accumulated Depreciation	-	(1,378)	(1,022)	(6,764)	(9,164)
Balances as at 30th June 2015	**$106,743**	**$48,062**	**$26,909**	**$13,568**	**$195,282**

The carrying value of the asset categories above includes work in progress. Plant & equipment includes plant & equipment, vehicles, roading, carparking and fixtures & fittings.

The company's assets are secured by way of a debenture charge and a general security agreement.

Land, buildings, roading and car parking were independently valued by Seagar & Partners, registered valuers, as at 30 June 2014. The runways, taxiways and aprons were independently valued by Beca Valuations Limited (Beca), registered valuers, as at the same date.

8. Intangible Assets

	2015 $ 000's	2014 $ 000's
Cost		
Opening balance	2,556	2,500
Additions from internal developments	220	56
Total cost closing balance	**2,776**	**2,556**
Accumulated amortisation		
Opening balance	131	78
Amortisation expense	131	53
Total accumulated amortisation	**262**	**131**
Carrying Value	**$2,514**	**$2,425**

Intangible assets include costs incurred in relation to District Planning processes for extension of the noise boundaries amortised on a straight line basis over 23 years and amendments to the flight fans amortised on a straight line basis over 15 years.

9. Trade & Other Payables

	2015 $ 000's	2014 $ 000's
Trade payables	749	1,160
Other creditors and accruals	2,556	966
Total trade and other payables	**$3,305**	**$2,126**

10. Employee Entitlements

Accrued salary and wages	142	168
Annual leave	157	112
Total employee entitlements	**$299**	**$280**

11. Borrowings

Westpac Bank borrowings (secured)	**$25,260**	**$16,500**
Disclosed in the financial statements as:		
Current	-	-
Non-current	$25,260	$16,500
Total current and non-current borrowings	**$25,260**	**$16,500**

The Company has a secured facility with Westpac of $40 million. The facility expires on 30 June 2018.

The Westpac facility is 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 at balance date was 4.5%. (2014: 4.4%)

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

12. Share Capital

(a) Fully Paid Ordinary Shares

	2015 No.	2014 No.	2015 $ 000's	2014 $ 000's
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.

(b) Dividends Paid

	2015 $ 000's	2014 $ 000's
Final Dividend – 20.65c per share	3,317	2,640
Interim Dividend – 6.23c per share	1,000	1,000
Total Dividend Paid	**$4,317**	**$3,640**

On 4th February 2015 an interim dividend of 6.23 cents per share (total dividend of $1,000,000) was paid to holders of fully paid ordinary shares.

On 19th August 2014 a final dividend of 20.65 cents per share (total dividend of $3,316,766) was paid to holders of fully paid ordinary shares.

13. Reserves

Asset revaluation reserve

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.

Cash flow hedge reserve

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 profit and loss when the underlying hedged transaction impacts the profit and loss, when the hedge relationship is discontinued or is included as a basis adjustment to the non-financial hedged item, consistent with applicable accounting treatment.

14. Commitments for Expenditure

	2015 $ 000's	2014 $ 000's
(a) Capital Expenditure Commitments		
Committed for acquisition of property, plant and equipment	**$2,731**	**$1,340**
(b) Company as Lessee; Operating Lease Commitments		
Non-cancellable operating lease payments		
Not longer than 1 year	17	17
Longer than 1 year and not longer than 5 years	14	29
Total company operating lease commitments	**$31**	**$46**
(c) Company as Lessor; Operating Lease Rental		
Less than 12 months	4,718	4,615
1-5 years	11,827	13,876
5 years +	3,348	4,857
Total company as lessor, operating lease rental	**$19,893**	**$23,348**

15. Related Party Disclosures

(a) Parent Entity

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.

(b) Transactions with Related Parties

Related parties of the Company are:

- Queenstown Lakes District Council (QLDC) – Shareholder
- Auckland International Airport Limited (AIAL) - Shareholder
- J Hadley – Director, Hadley Consultants Limited
- G Lilly – Director, Civil Aviation of New Zealand (CAA), Aviation Security Services
- A Gerry – Director, Pioneer Generation Limited

(c) During the year the following (payments)/receipts were (made to)/ received from related parties which were conducted on normal commercial terms:

	2015 $ 000's	2014 $ 000's
Queenstown Lakes District Council		
Rates	(282)	(291)
Resource Consent Costs & Collection fees	(54)	(47)
Parking Infringement Recovery	-	30
Wanaka Airport Management Fee	110	70

Lakes Leisure netball courts and six holes of the Frankton golf course are located on land to the north west of the runway. Revenue from this arrangement amounted to $25,000 (2014: $25,000).

Queenstown Airport Corporation Limited holds a bond with Westpac for $150,000 in favour of QLDC relating to resource consent to extract gravel and carry out remediation work on land (RM090321). The work is no longer required and the Company has applied to have the bond released.

Auckland International Airport Limited		
Rescue Fire Training	-	(8)

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

Hadley Consultants Limited		
Consultant Engineering Services	(3)	(5)
Civil Aviation of New Zealand		
CAA Certification Audit Fees	(3)	(8)
Aviation Security Service		
Airport Security Cards	(3)	-
Rental, Power recovery and parking revenue	156	180
Pioneer Generation Limited		
Power	(312)	(265)

(d) The following amounts were receivable from related parties at balance date:

Queenstown Lakes District Council		
Infringement Parking Fines	-	4
Lakes Leisure Golf Course	25	25
Aviation Security Service		
Rental, Power recovery and parking revenue	2	-

(e) The following amounts were payable to related parties at balance date:

Pioneer Generation Limited	33	-
Queenstown Lakes District Council	10	2
Auckland International Airport	-	6
CAA	-	1

16. 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. 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:

	2015 $ 000's	2014 $ 000's
Cash and cash equivalents	16	13
Bank account/(overdraft)	255	292
Total cash and cash equivalents	**$271**	**$305**

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

	2015 $ 000's	2014 $ 000's
Profit for the year	**8,312**	**6,634**
Add/(less) non-cash items:		
Amortisation	131	53
Depreciation	4,100	3,848
Loss on sale of Property, Plant & Equipment	61	30
Other	(36)	-
	4,256	**3,930**
Changes in assets and liabilities:		
Increase in Trade and other receivables	(278)	102
Increase in Prepayments	(104)	(4)
Decrease in Current tax payable	(568)	904
Increase in Trade and other payables	1,179	381
Decrease in Income in advance	(12)	22
Increase in Employee entitlements	19	44
Decrease in Deferred tax liability	(546)	130
Movement in items reclassified as investing and financing activities	(727)	(44)
	(1,037)	**1,535**
Net cash inflow from operating activities	**$11,531**	**$12,099**

17. Financial Instruments

(a) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures a competitive cost of capital is available to the entity.

The Company is not subject to any externally imposed capital requirements.

(b) Categories of Financial Instruments

	2015 $ 000's	2014 $ 000's
Financial Assets		
Cash and cash equivalents	271	305
Trade and other receivables	1,914	1,636
Financial Liabilities		
Trade and other payables	3,235	2,126
Borrowings	25,260	16,500
Derivatives	1,362	512
Current tax payable	1,206	1,774

All financial assets and liabilities are recognised at amortised cost except derivatives which are recognised at fair value.

18. Subsequent Events

The directors resolved on 19 August 2015 that the final dividend for the year ended 30 June 2015 be $4,156,074. There were no other significant events after balance date.

19. Contingent Liabilities & Contingent Assets

(a) Property

The Company is currently involved in legal proceedings associated with the acquisition of land adjacent to the airport, referred to as 'Lot 6', to allow for a new aeronautical precinct and to free up land for terminal expansion. To date, costs of approximately $3.4 million has been capitalised by the Company. However, if the decision is unfavourable for the Company, then all costs will need to be expensed. The Company is confident that the Lot 6 will be acquired as planned.

Queenstown District Council has included in its Long Term Plan in the period 2015-2017, the construction of the Eastern Access Road part of which is along the airport boundary. Queenstown District Council has informed the airport that it will seek a developer contribution from QAC and a neighbouring property owner if the road is constructed. Any developer contribution payable would be shared with the neighbouring developer under an existing agreement. QAC estimates that its liability may be in the order of $3 to 4 million.

(b) Noise Mitigation

The Company has announced plans to assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise zones. During the next 12 months, the Company plans to make offers of acoustic treatment to approximately 136 homeowners. Noise levels are monitored regularly and as the noise zones expand, further offers will be made. The Company estimates approximately 380 properties will be offered noise mitigation by 2037. As it is not possible to accurately predict the rate of change in aircraft noise levels over time, nor the rate of acceptance of offers of mitigation packages to homeowners, the Company cannot accurately predict the overall cost or timing of mitigation work.

If a homeowner accepts the offer, the Company records a provision for the estimated cost of delivering the mitigation package. As at 30 June 2015, no offers had been made and no provision has been recognised in the financial statements for noise mitigation.

(c) Tax Dispute

The Company is involved in a dispute with the Inland Revenue Department with regard to the deductibility of depreciation for the construction of Runway End Safety Area East. Advice has been received that gives the Company confidence this will be resolved in its favour. Should this not be resolved in the Company's favour the Company would recognise a deferred tax liability of approximately $2.7 million.

Statement of Service Performance

The Company sets various performance objectives in its annual Statement of Intent. These are now reported on:

Goals

To achieve its mission QAC has established a number of goals. These are to:

- Deliver sustainable income growth through increased income diversification and cost management
- Promote the Airport and Queenstown Lakes District to grow visitor numbers
- Develop the Airport infrastructure and facilities to support the District's economic growth while maximising use and avoiding over-capitalisation
- Provide people using the Airport with a 'wonderful experience' consistent with our vision
- Establish the Airport as a preferred place to work and do business within the District
- Operate as a socially and environmentally responsible part of the Queenstown Lakes District community

Objectives

It is QAC's principal objective to be a successful business. This success will be measured by setting a number of objectives identified at the start of each financial year which we believe can and should be achieved within that year. These objectives will be measurable and QAC's performance against these objectives will be reported and audited annually.

Goal 1: Deliver sustainable income growth through increased income diversification and cost management

Objectives	Work completed
Generate improved business returns over the forecast period sufficient to: • support the funding of growth capital • provide a dividend that meets shareholder expectations.	25% increase in NPAT on previous year. 19% increase in Dividends for shareholders. New F&B and Retail offerings performing well. Capital expenditure has been funded through operating cash flows and moderate increases in debt. Debt gearing levels are sustainable and well within policy.
Strive for Operational Excellence through continuous improvement programmes.	Enterprise Risk Management system including CAA, Health & Safety and Environmental risk management systems reviewed every 4 months and audited regularly. Bird strikes closely monitored and remain at the low end of NZ Airports. 13 houses identified for full acoustic mitigation. Individual work plans being developed. Technology upgrades for infrastructure and operating/commercial systems. Identify ways to measure delays to scheduled aircraft due to congestion on the runway to determine savings from a parallel taxiway.
Develop and motivate staff to embrace our vision for the business and to want to make a difference.	Formalised a staff induction and service training process, including attendance of Queenstown Resort College's Ambassador Programme. A range of communication methods, including regular team briefings, were employed to keep staff updated and engaged about QAC's direction and performance.
Diversify revenues to de-risk the business.	Commercial revenues and returns growing faster than passenger volumes. Commercial Revenue per pax $6.13 compared to $5.72 forecast.

Goal 2: Promote the Airport and Queenstown Lakes District to grow visitor numbers

Objectives	Work Completed
To be actively involved in route development focusing on new services or increased capacity from Australia, Pacific Island and New Zealand. This includes adding capacity and frequency to existing routes.	We continue to work on a range of route development initiatives with various parties (including airlines and Auckland Airport). Air New Zealand has increased domestic capacity by 140,000 seats and domestic pax has increased 60,000 in the year. Jetstar has introduced a 3 weekly Gold Coast service from 13 December 2014. Capacity has also increased on all other trans-Tasman routes, with strong growth in off peak periods. International pax has increased 90,000 in the year.
Make Queenstown Airport easier to get to with better improved connectivity at hub airports.	Aiming to commence evening flights from winter 2016. Plans for runway widening and lighting well advanced. Continued work with relevant aviation and tourism partners to target long haul travellers and promote connectivity via key hub airports.
Assist selected local events as far as possible by allowing promotion within and around the terminal.	Provided in-kind promotional support on a case-by-case basis. Examples free advertising on digital billboards, theming, pole banners.

Goal 3: Develop the airport infrastructure and facilities to support the District's economic growth, while maximising use and avoiding over-capitalisation

	Work Completed
To be well informed of airport and aviation trends and drivers of passenger volumes that will positively or negatively impact demands on our infrastructure.	Continued to work closely with AIAL around airport and airline trends. Senior managers attended Australian Airports Conference in Gold Coast, October 2014. Aviation consultants providing input on route options and masterplans.
Develop plans for continued growth so as not to impede the region's growth.	Master Plan was reviewed to ensure developments to the airport's infrastructure and facilities continue to address anticipated passenger growth and industry trends. Court proceedings continued to acquire land south of the runway (Lot 6) for development of a new aviation precinct, freeing up land for terminal expansion. Capital plans updated for airport developments forecast for the next 10 years. The international terminal expansion was completed in June 2015.
To expand the approved window for airlines to arrive and depart ZQN, taking advantage of ZQN's consented operating hours of 6am to 10pm.	QAC and Airways plans well advanced for the new infrastructure required. Airlines to begin work on Operator Safety Cases.
Ensure expansions to the Airport infrastructure and facilities are delivered in a timely manner to balance the risks of over-capitalisation with the risks of turning away passengers and aircraft.	The new international terminal development is a good example of QAC, airlines and agencies working together to plan future capacity expansions.

Goal 4: Provide people using the Airport with a "wonderful experience" consistent with our vision

Objectives	Work Completed
Provide a superior experience for people using the airport from access roads, parking, and in-terminal experience.	Development of a cohesive roading and transport plan is underway. In the meantime more carparks have been provided and a greater area set aside for buses. The airport's retail and Food and Beverage (F&B) experience has been expanded and enhanced to better match passenger needs and reflect the best of the region. Theming within the terminal was changed out each season to enhance ambience and reflect a sense of place.
Ensure people flow through the terminal is efficient such that: • congestion in the terminal and overcrowding in the departure lounges is minimised • congestion for international passengers is reduced.	New Flight Information Display Screens (FIDS) system and screens introduced. Active management of people flows by Airport staff during peak period, especially winter. Co-ordination of Airlines, AVSEC, Customs and MPI during these peaks. Terminal expansion in time for winter 2015. Temporary capacity for winter 2014 worked well. Smart Gate technology for Queenstown's international arriving passengers remains a goal. The new international arrivals hall set up can accommodate Smart Gate.

Goal 5: Establish Queenstown Airport as a preferred place of work and business within the District

Objectives	Work Completed
The region understands the diversity of businesses and jobs at the Airport.	QAC communications profile the importance of QAC as an employment hub. Work continued to create an Airport Zone across all airport designated land in QLDC's upcoming District Plan.
Businesses serving passengers are professional and successful. They employ people that embrace the QAC's vision for the travelling public.	A range of communication methods, including regular airport community briefings, were employed to keep tenants updated and engaged about the airport's direction and performance. QAC ran a retail excellence programme for its tenants. Retail performance reviews in place.
The benefits from growing passenger numbers flows through to all businesses operating at the Airport.	Key stakeholders were surveyed to assess their Airport experience and identify areas for improvement. The international ASQ survey of passengers on their terminal service experience will allow us to measure performance improvements.

Goal 6: Operate as a socially and environmentally responsible part of Queenstown Lakes District community

Objectives	Work Completed
Reduce our impact on Council's infrastructure with a particular focus on water and waste management.	Focus over the 12 months has been on upgrading the Building Management System in the terminal for energy efficiencies.
Manage the noise impact of the airport on the surrounding residential and business areas.	The Queenstown Airport Noise Liaison Committee is in its second year. Noise monitoring indicates QAC's noise impacts are growing slower than pax volumes with larger and quieter aircraft operating.
Engage with the Community, keeping them informed on developments at the airport and future plans.	CEO and Senior Executives gave presentations at various community forums on airport developments and future plans. A variety of community events were supported through sponsorships or in kind support. Continued to make land available to QLDC Sport and Recreation for the Frankton Golf Course at concessionary rents.
Support QLDC with its plans for Wanaka Airport and oversee Glenorchy Aerodrome.	Management of Wanaka Airport and Glenorchy Aerodrome continues. Significant support was provided to allow Wanaka to host NASA.
Participate in Council and Regional Planning and the Resource Management Act (RMA) process to protect the Airport from unintended planning consequences.	Creating an Airport Zone for Queenstown Airport a work in progress. Engaged with QLDC on restricting medium density housing inside QAC's noise boundaries. Submitted on QLDC's 10 year plan. Carefully following Government's plans for RMA reforms.

Objective: Achieve Statement of Intent Financial Forecasts

Financial Ratios	Forecast 2015 ($000's)	Actual 2015 ($000's)	Variance 2015 ($000's)
Total Revenue	23,215	24,836	1,621
Total Operating Expenditure	7,250	8,223	973
EBITDA	15,965	16,613	648
Interest expense	1,664	877	(787)
Depreciation & Amortisation	4,035	4,230	195
Profit Before Tax	10,265	11,506	1,241
Profit After Tax	7,186	8,312	1,126
Total Liabilities	37,023	39,607	2,584
Total Shareholder's Funds	161,724	161,060	(664)
Total Assets	198,747	200,126	1,379
Dividends Paid	4,175	4,317	142
Anticipated Capital Expenditure	20,434	16,520	(3,914)
Total Closing Debt	27,212	25,260	(1,952)
Net Drawdown/(Repayment of) Debt	9,293	8,760	(533)

Forecast 2015: As set out in Statement Of Intent dated 27 May 2014

Deloitte
For
Identification

Financial Ratios	Forecast 2015 ($000's)	Actual 2015 ($000's)	Variance 2015
NPAT per Pax	$ 5.43	$ 5.94	$ 0.51
Shareholder's Funds to Total Assets	81.4%	80.5%	-0.9%
Net Profit After Tax to Shareholder's Funds	4.4%	5.2%	0.7%
EBITDA to Total Assets	8.0%	8.3%	0.3%

Passenger Numbers	Forecast 2015 (000's)	Actual 2015 (000's)	Variance 2015 (000's)
Total Pax 000	1,322	1,399	77

Assessment of Actual vs Forecast Financial Performance

The growth in revenue (7% ahead of forecast) has been driven by the increase in PAX (6% above forecast), which increased revenue from passenger/landing charges and retail spend.

Operating expenses were 13% above forecast, due to one-off runway repairs and the cost of additional staff.

Interest costs were lower than forecast following the refinancing of interest rate swaps and capitalisation of funding costs for the new international terminal.

As a result, after tax profit was 16% ahead of forecast, at $8.3 million. Dividends declared for the year were $5.1 million. Dividends paid in the year of $4.3 million related to the previous financial year.

The majority of the Capital Expenditure related to the expansion of the International terminal. Total Capital Expenditure was lower than forecast due to the deferral of other projects from 2015 (including runway widening and new stands), which contributed to the lower than forecast level of debt.

Shareholder's Funds to Total Assets remains above 80%, which is slightly below forecast due to an increase in asset values (primarily the investment in the terminal). NPAT to Shareholder's Funds is ahead of forecast due to strong profit result.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED *30 JUNE 2015*

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 10 to 32, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 33 to 40.

In our opinion:

- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2015; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards as appropriate for profit-orientated entities that qualify for differential reporting concessions.
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended on 30 June 2015.

Our audit was completed on 19 August 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.
An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;

- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with the New Zealand equivalents to International Financial Reporting Standards as appropriate for profit-orientated entities that qualify for differential reporting concessions The Board of Directors is also responsible for preparation of the performance information for the company.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.

B.E. Tomkins
DELOITTE
On behalf of the Auditor-General
Dunedin, New Zealand