Queenstown Airport Corporation Limited

Annual Report for Financial Year Ended 30 June 2018

Contents

Directory

BOARD OF DIRECTORS	Prudence M Flacks (Chair appointed 27 November 2017) John W Gilks (Chair retired 27 November 2017) James W P Hadley (retired 27 November 2017) Grant R Lilly Michael P Stiassny Norman J Thompson Mark R Thomson Adrienne F Young-Cooper (appointed 27 November 2017)
CHIEF EXECUTIVE OFFICER	R Colin Keel
AUDITORS	B E Tomkins of Deloitte Limited (on behalf of the Auditor General) PO Box 1245 Dunedin
BANKERS	BNZ Queenstown Store 11 Rees Street Queenstown Westpac Terrace Junction 1092 Frankton Road Queenstown ASB ASB House, Level 2 166 Cashel Street Christchurch Bank of China Level 17 205 Queen Street Auckland

Annual Report

Your Directors have pleasure in submitting the Annual Report together with the financial statements of the Company for the year ended 30 June 2018.

1. Financial Statements

The financial statements of the Company for the year ended 30 June 2018 follow this report.

2. Principal Activities of the Company

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

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

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

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

3. Board of Directors

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

Prudence M Flacks (Chair appointed 27 November 2017)
Grant R Lilly
Michael P Stiassny
Norman J Thompson
Mark R Thomson
Adrienne F Young-Cooper (appointed 27 November 2017)
John W Gilks (Chair retired 27 November 2017)
James W P Hadley (retired 27 November 2017)

4. Results for the Year Ended 30 June 2018

Profit for the year was $14,941,157 compared with a profit of $12,075,722 in the previous year.

The directors resolved on 21 August 2018 that the final dividend for the year ended 30 June 2018 be $6,186,386, resulting in a full year dividend of $7,186,386 (2017: $7,169,007).

An interim dividend of $1,000,000 was paid to the shareholders on 16th February 2018, leaving a final dividend of $6,186,386 to be paid on 22 August 2018, to be distributed to the shareholders as follows:

Queenstown Lakes District Council	$4,640,408
Auckland Airport Holdings (No 2) Limited	$1,545,978

Appropriation Account for the year ended 30 June 2018	**$ 000's**
Balance at the beginning of the year	25,902
Profit for the year	14,941
Dividends paid	(7,169)
Retained earnings to be carried forward	**33,674**

5. Directors Interests

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

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) and Aviation Security Service have regulatory oversight of Queenstown Airport Corporation Limited as a certified airport operator. Grant Lilly is a director of CAA, Aviation Security Service.

The Company has committed to sponsor the 2018 ISPS Honda NZ Golf Open 2018. Norm Thompson is a committee member of the 2018 ISPS Honda NZ Golf Open 2018.

Auckland International Airport Limited has provided Rescue Fire Training to the QAC operational staff, and other services based on the Strategic Alliance Agreement for which no consideration was paid. Mark Thomson is an executive of Auckland International Airport Limited.

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

Go Rentals (Auckland) Limited, is a commercial transport operator. Grant Lilly is a director of Go Rentals (Auckland) Limited.

New Zealand Transport Agency (NZTA) shared costs of transport governance group workshop. Michael Stiassny is Chair and Adrienne Young-Cooper is a member of NZTA.

All of the transactions were provided on normal commercial terms except where noted above, and appropriate relationships are in place to manage these relationships.

6. Share Dealings

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

7. Directors Remuneration

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

	2018	**2017**
	$	**$**
PM Flacks	36,252	-
JW Gilks	24,288	52,000
JWP Hadley	18,333	35,500
GR Lilly	43,167	33,500
MP Stiassny	42,000	33,500
NJ Thompson	44,000	29,500
MR Thomson	38,000	-
AF Young-Cooper	24,960	-
	271,000	**184,000**

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

8. Remuneration of Employees

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

Bracket	2018 Number of Employees	2017 Number of Employees
$100,000 – $110,000	-	2
$110,000 – $120,000	2	-
$120,000 – $130,000	1	1
$130,000 – $140,000	-	1
$140,000 – $150,000	-	2
$150,000 – $160,000	3	1
$160,000 – $170,000	1	-
$170,000 – $180,000	-	1
$180,000 – $190,000	1	-
$200,000 – $210,000	1	1
$220,000 – $230,000	1	-
$270,000 – $280,000	-	1
$280,000 – $290,000	1	-
$360,000 – $370,000	-	1
$490,000 – $500,000	1	-

9. Donations

The Company made donations totalling $12,788 during the year (2017: $4,785).

10. Use of Company Information

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

11. Auditor

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

On Behalf of the Board

Chair

Director

Chair and Chief Executive's Report

Overview of Year

The financial year ended 30 June 2018 was significant for Queenstown Airport Corporation (QAC) with a number of major milestones achieved which underpin the future development of both Queenstown and Wanaka Airports over the next 30 years.

As New Zealand's tourism growth continues, the natural beauty of the Southern Lakes' alpine environment combined with its reputation as a safe and friendly destination has ensured that it remains a preferred choice for domestic and international visitors alike. The region also continues to attract many new residents as a great place to live, work and play.

It is this reputation, coupled with increased air connectivity, that helped QAC achieve the milestone of two million passenger movements in a 12-month period during the financial year. It is also another reminder of how far we have travelled. Queenstown Airport has evolved from a gravel airstrip in 1935 to an international airport connecting the region to the rest of New Zealand and further afield. This dynamic has brought both social and economic opportunities and benefits to the wider community with increased employment and flexible, affordable air travel.

Queenstown and Wanaka Airports are part of the fabric of the region. QAC's role is to provide a world-class experience at both airports to support the long-term social, economic and environmental sustainability of the region. This is key to ensure QAC continues to meet the needs of its customers and the community, operates profitably and mitigates its environmental impacts as far as possible. This will require substantial capital investment in both Queenstown and Wanaka airports over the next 30 years.

Well-planned and focused investment in regional infrastructure is critical to keeping pace with growth and retaining a quality visitor and resident experience.

This financial year we shared our thinking on the future development of Queenstown Airport with stakeholders and the community through our 30-year Master Plan which lays out long-term growth options. Critical to realising any of these options is the need to address key constraints to growth, including land, noise and destination infrastructure requirements.

More recently, QAC became 'one airport company, two airports' after signing a 100-year lease with Queenstown Lakes District Council (QLDC) for Wanaka Airport. While QLDC remains the underlying owner of Wanaka Airport, the long-term lease transfers the operation, planning, development and governance of the airport to QAC. As the new custodians of Wanaka Airport, QAC will work with stakeholders and the community to shape the future vision of the airport and build on its proud aviation heritage.

Financial Performance

QAC delivered another strong financial performance for the year ended 30 June 2018, underpinned by continued growth in passengers, with revenue of $45.7 million, an increase of $6.7 million (17%) compared to the corresponding period last year. This performance was reflected in both aeronautical and commercial revenues, up 14% and 21%, respectively.

Reported Net Profit After Tax was $14.9 million, up by $2.9 million or 24% compared to the corresponding period last year. Underlying Net Profit After Tax for the period was also $14.9 million, up 21% on the corresponding period last year. Underlying Net Profit After Tax for the period to 30 June 2017 of $12.3 million, was arrived at by adjusting for additional costs to appeal the adverse tax ruling related to depreciation claimed on the Runway End Safety Area. There were no adjustments in the period to 30 June 2018.

Operating Expenditure of $14.0 million increased by $1.2 million, or 9%, compared to the corresponding period last year. The Company continued to build capacity and provide services for strengthening passenger numbers. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of $31.6 million increased by $5.5 million, or 21%, compared to the corresponding period last year.

QAC continued to invest in Queenstown Airport with winter operations equipment, a new operations centre and ongoing terminal improvements. Assets were revalued by independent valuers as at 30 June 2018, increasing the value of assets by $32.9 million compared to the corresponding period last year.

The Company extended its banking facilities, sourced from four major banks, from $100 million to $220 million with 2 to 5 year terms. These facilities provide QAC with the ability to fund anticipated growth over the next 5 years.

As at 30 June 2018, QAC's financial position remains strong, with term debt totalling $57.0 million representing 21% of net assets. The equity ratio (total shareholders' funds to total tangible assets) was 77% and interest cover (EBITDA/interest on 12-month average) was 12.8 times.

The financial performance of Wanaka Airport since the lease commenced on 1 April 2018 is included in the financial information in this report.

Return to Shareholders

QAC paid a total dividend of $7.2 million to its two shareholders Queenstown Lakes District Council (75.01%) and Auckland International Airport (24.99%) in the year ended 30 June 2018. For majority shareholder Queenstown Lakes District Council this is a dividend payment of $5.4 million, which equates to $215 per rateable property in the district. The Company has set the dividend taking into account the significant capital investment which the Company will need to make over the next 30 years.

Annual Highlights

Health and Safety

Health and safety continues to be our top priority. Our target is to achieve Zero Harm to our people and customers to ensure a safe operating environment. We are pleased to report that the company has not had an employee or contractor Lost Time Injury for over three years. Despite this excellent record, the identification, review, mitigation and management of our critical risks continues to be a key focus. The past year has seen numerous safety improvement initiatives implemented across the business. Highlights included:

Queenstown Airport

- Completion of the Company's Safety Management Systems under CAA rule Part 100 with certification by CAA achieved in February 2018
- Participation in Airport Safety Week by both Queenstown and Wanaka Airports with a diverse programme of activities
- RMSS, a new cloud-based Health and Safety reporting tool, to help promote a strong safety culture within the organisation is now well imbedded into the team
- Introduction of an apron code of conduct involving collaborative auditing with airfield stakeholders
- Opening of the airport's first dedicated operations centre, The Hub. This facility houses the Operations team, Emergency Operations Centre and Operations Control room
- Implementing a field leadership programme where our leadership team interacts with staff and stakeholders to seek out health and safety related improvement opportunities
- Rolling out the "See it, Hear it, Report it" initiative to encourage reporting of safety or health issues across the airport community
- Introducing of airside driver safety and awareness programme
- Pioneering a safe driving programme to encourage safer winter driving by visitors and residents through an awareness and information campaign

Wanaka Airport

- Establishing a new Airport Operations Manager role
- Hosting bi-monthly Health, Safety and Operational meetings with commercial operators, bringing together all parties to discuss and address safety concerns
- Reviewing published aerodrome data and creating new arrival and departure procedures for VFR aircraft completed and published

- Participating in Airport Safety Week, conducting a series of safety workshops and activities alongside Queenstown Airport. The event helped highlight the importance of safety and QAC's leadership role across Queenstown and Wanaka airports
- Conducting a full-scale emergency exercise involving the airport community and locally-based emergency services

Unprecedented passenger growth continued
Passenger growth from scheduled air services continued with two million passenger movements per annum reached for the first time in December 2017.

Queenstown and Wanaka's reputation as the scenic flight capital of New Zealand, combined with favourable weather over the summer season, also generated strong demand for general aviation services and activities across both airports.

For the year ended June 2018, passenger movements reached an historic high of 2,140,669 - 13% up on the same period last year.

- International passenger movements increased 12% to 596,276
- Domestic passenger movements increased 14% to 1,544,393
- Our busiest day was Saturday 22 July 2017 with 10,411 passenger movements, 31% more than our previous record day
- The commercial general aviation operators at Queenstown Airport also performed strongly, with fixed wing and helicopter movements up 6.9% on the same period last year
- Private jet movements increased by 2 to 488 annual movements-compared to 486 last year

Investing in the customer experience
Improving parking options and traffic flow around the airport was a major area of focus. In July 2017 we reinstated the P2 drop-off zone directly outside the terminal, which was welcomed by the community, and expanded parking and transport options. Highlights included:

- Changes to terminal car parking product across two locations
- Park and Ride trial as an affordable long-term parking option - commenced in June 2017 with 150 spaces and increased to 300 in December
- New external wayfinding signs, including coloured glass and new pavement icons to better guide visitors
- Expanding retail and food and beverage offerings to include seasonal "pop-ups"
- A new-look airport information desk moved to a central location, complemented by new wayfinding signage across the terminal to deliver a better customer experience

Unlocking opportunities and constraints for the future

Master Plan
Following an 18-month planning and engagement process with key stakeholders, QAC released the airport's 30-Year Master Plan options in August 2017. Since then we've been working on unlocking the constraints identified – land, noise and destination infrastructure.

As part of a comprehensive engagement programme, the senior leadership team travelled across the region to share the proposed options and seek feedback at community group meetings, industry briefings and drop-in sessions. Print, radio and online channels were used to promote the sessions and connect people with the supporting documentation, which included a summary document, dedicated microsite and an online survey. The direct feedback, combined with online survey responses and individual submissions, have provided valuable insights which will be considered in the next stages of the process.

Wanaka Airport
Following the signing of a 100-year long term lease for Wanaka Airport in April, a number of meetings and workshops have been held with the community and stakeholders. Feedback was also captured via a new online community hub and key themes will be analysed in Q2 of FY 19. It's important we take a considered approach and continue to engage with our stakeholders when looking at the future potential for Wanaka Airport and

how this may look in 30 years' time. Work on a master plan will commence late in 2018 and be completed by September 2019.

Regulatory Planning
During the last year, hearings were held for designations and Stage 1 of the Proposed District Plan (PDP), with recommendations and decisions issued by QLDC towards the end of the financial year. Stage 2 of the PDP was also notified, with hearings scheduled to be held the following financial year. QAC was heavily involved in the Stage 1 and designations process and we anticipate less involvement in Stage 2. QAC also participated in the Otago Regional Policy Statement (ORPS) via submissions, hearings and subsequent mediation. The ORPS was still to be finalised at the end of the financial year.

Noise Mitigation
Annual Aircraft Noise Compliance (AANC) contours were produced to ensure Queenstown Airport operates within the boundaries in the District Plan as well as to inform the ongoing noise mitigation programme of works under its designation.

Proposed Noise Planning Changes
Extensive work has been undertaken to prepare a proposal for noise boundary changes for Queenstown Airport. This work culminated in a public consultation which commenced in July 2018.

Land Acquisition
Work progressed on the acquisition of land located along the southern boundary of Queenstown Airport – known as Lot 6. The Environment Court issued a final decision on the designation of the land in favour of QAC in April 2018. Following the decision, the acquisition process under the Public Works Act commenced.

Technology and Innovation

Our technology strategy is delivering enhancements to the customer experience, operational efficiency and business resilience. Highlights included:

- Introducing transport solutions such as time-saving Tap & Go technology in the terminal car parks, RFID cards for all commercial operators and sensor technology to provide customers real-time information on the availability of public car spaces
- Better informing our customers of flight information through upgraded Flight Information Display Screens (FIDS), including a new state-of-the-art digital screen in the main concourse, launching a Chinese language version of the Queenstown Airport website and introducing BlipTrack, which provides real time information on queue times at the security screening area
- Implementing the online engagement tool – Engagement HQ- to provide a platform for the community to engage 24/7 and more comprehensive analysis of engagement
- Increasing the resilience of the business to cyber risks including training, penetration testing and establishment of three layers of on-site and off-site redundancy

Our People
The company's success relies on the passionate, dedicated and hard-working teams across both airports who strive to deliver an exceptional service experience for all our customers and visitors.

QAC has a diverse and talented team of almost 70 people who reside throughout our stunning region, actively playing a part in their communities. Over 900 people work across more than 90 businesses at Queenstown and Wanaka Airports to ensure all our customers have a safe and memorable experience every time they visit.

This year we expanded our senior leadership team, welcoming Olivia Pierre as General Manager, Commercial and Customer Experience, increasing our focus on commercial relationships and the customer experience.

In November 2017, two of our longstanding directors John Gilks and James Hadley retired from the QAC board and we would like to acknowledge their huge contribution and valuable leadership over a period of rapid growth and challenges. We welcomed new directors, Queenstown-based legal and commercial specialist Prue Flacks, who replaced John as Chair, and planning specialist Adrienne Young-Cooper, who both joined for an initial three-year term.

Our Community

We're aware that the continued and rapid growth of our region's resident population and seasonal visitors is having an increased effect on the communities we serve. We acknowledge the role our airports play and we work hard to strike a balance between providing a world-class airport experience, balancing commercial requirements and being a good neighbour in our community and region, supporting its economic growth.

Our continued engagement with stakeholders through one-to-one meetings, events and new online community hubs is key to ensuring a connected regional community. Our sustainability programme continues to evolve and includes work we are doing on our own or with partners to provide social, economic and environmental value to the communities we serve.

We continue to be involved in initiatives such as the regional Transport Governance Group, Chambers of Commerce and Shaping Our Future, as well as supporting various community events and not-for-profit organisations. Over the last 12 months we have assisted local charities such as the Coastguard, St John, Wakatipu Reforestation Trust, the Pride Pledge, Heart Kids and the Cancer Society. The cross-airport education programme has gone from strength to strength this year with more than 300 children of all ages from regional and South Island schools, community groups and clubs visiting Queenstown Airport. We are also a proud supporter of regional events that showcase the best of our region such as the Winter Festival, Winter Games, NZ Golf Open and the Queenstown Marathon.

As the gateway to the region, the entire airport and wider community pulled together to ensure the visitor experience was the best it could possibly be for the recent Amway event. A satisfaction rating of 97% from delegates was a huge accolade and this event showcased our community working together at its best for a shared goal.

Through Wanaka Airport we continue to build strong relationships across the region continuing our involvement in the community and events such as Warbirds Over Wanaka, Festival of Colour, The NZ Mountain Film Festival and Ignite Wanaka Business Awards.

The Future

Our current forecasts continue to predict solid passenger growth. We are confident about the sustainability of our domestic and international markets, particularly with all four airlines now certified to fly after dark and the announcement of increased services from late October in time for the summer months.

We will also continue our investment in technology, products and infrastructure improvements to provide a better customer experience, with the ultimate goal of making it easier for visitors and residents to travel to and from the region and experience the best it has to offer.

The important conversations we are having today and the work we are doing to plan for the future will provide a robust roadmap as we develop both Queenstown and Wanaka Airports to serve our customers for decades to come.

Our goal is to continue to work closely with key stakeholders and the communities we serve to ensure we create well connected aviation centres for our region that are sustainable, adaptable, affordable and memorable.

Prue Flacks Chair	Colin Keel Chief Executive Officer

August 2018

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 2018.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice which present fairly in all material respects the financial position of the Company as at 30 June 2018 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 21 August 2018 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

Income Statement

For the financial year ended 30 June 2018

	Notes	2018 $ 000's	2017 $ 000's
Income			
Revenue	2(a)	45,640	38,895
Other gains	2(b)	28	102
Total income		**45,668**	**38,997**
Expenditure			
Operating expenses	4	8,087	7,967
Employee benefits expense	2(c)	5,954	4,876
Total operating expenditure		**14,041**	**12,843**
Operating earnings before interest, taxation, depreciation and amortisation		**31,627**	**26,154**
Depreciation	7	7,366	6,751
Amortisation	8	656	571
Loss on revaluation of assets	7	187	-
Operating earnings before interest and taxation		**23,419**	**18,832**
Finance costs	2(d)	2,473	1,951
Profit before income tax and subvention payment		**20,946**	**16,881**
Subvention payment	3(a)	-	555
Profit before income tax		**20,946**	**16,326**
Income tax expense	3(a)	6,005	4,250
Profit for the year		**14,941**	**12,076**

The accompanying notes form part of these financial statements.

Deloitte.
for
Identification

Statement of Comprehensive Income

For the financial year ended 30 June 2018

	Notes	2018 $ 000's	2017 $ 000's
Profit for the year		**14,941**	**12,076**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Gain/(loss) on cash flow hedging taken to reserves	13(c)	(399)	423
Income tax relating to gain/(loss) on cash flow hedging	13(c)	112	(118)
Realised gains/(losses) transferred to the income statement	13(c)	306	198
Items that may not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment	13(b)	33,059	32,055
Income tax relating to gain on revaluation	13(b)	(905)	(2,027)
Other comprehensive income for the year net of tax		**32,173**	**30,531**
Total comprehensive income for the year, net of taxation		**47,114**	**42,607**

The accompanying notes form part of these financial statements.

Deloitte.
for Identification

Statement of Financial Position

As at 30 June 2018

	Notes	2018 $ 000's	2017 $ 000's
Current assets			
Cash and cash equivalents	17(a)	1,897	915
Trade and other receivables	5	3,745	3,440
Prepayments		489	392
Total current assets		**6,131**	**4,747**
Non-current assets			
Property, plant and equipment	7	346,883	297,915
Intangible assets	8	3,154	2,925
Derivatives	6	-	263
Total non-current assets		**350,037**	**301,103**
Total assets		**356,168**	**305,850**
Current liabilities			
Trade and other payables	9	3,301	5,645
Income in advance		44	44
Employee entitlements	10	1,036	869
Current tax payable		4,398	2,132
Total current liabilities		**8,779**	**8,690**
Non-current liabilities			
Borrowings (secured)	11	57,000	47,000
Derivatives	6	136	-
Other non-current liabilities		-	115
Deferred tax liabilities	3(c)	15,343	15,080
Total non-current liabilities		**72,479**	**62,195**
Total liabilities		**81,258**	**70,885**
Net assets		**274,910**	**234,965**
Equity			
Share capital	12	37,657	37,657
Retained earnings	13(a)	33,674	25,902
Asset revaluation reserve	13(b)	204,376	172,222
Cash flow hedge reserve	13(c)	(797)	(816)
Total equity		**274,910**	**234,965**

The accompanying notes form part of these financial statements.

Deloitte.
for
Identification

Statement of Changes in Equity

For the financial year ended 30 June 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 2017	**37,657**	**172,222**	**(816)**	**25,902**	**234,965**
Profit for the period	-	-	-	14,941	14,941
Other comprehensive income	-	32,154	19	-	32,173
Total comprehensive income for the period	**-**	**32,154**	**19**	**14,941**	**47,114**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(7,169)	(7,169)
At 30 June 2018	**37,657**	**204,376**	**(797)**	**33,674**	**274,910**

	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 2016	**37,657**	**142,194**	**(1,319)**	**20,090**	**198,622**
Profit for the period	-	-	-	12,076	12,076
Other comprehensive income	-	30,028	503	-	30,531
Total comprehensive income for the period	**-**	**30,028**	**503**	**12,076**	**42,607**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(6,264)	(6,264)
At 30 June 2017	**37,657**	**172,222**	**(816)**	**25,902**	**234,965**

The accompanying notes form part of these financial statements.

Deloitte.
for Identification

Cash Flow Statement

For the financial year ended 30 June 2018

	Notes	2018 $ 000's	2017 $ 000's
Cash flows from operating activities			
Receipts from customers		44,818	38,194
Interest received		18	36
Payments to suppliers and employees		(14,027)	(12,568)
Interest paid		(1,785)	(1,627)
Subvention payment made		-	(555)
Income tax paid (net)		(4,474)	(3,640)
Net cash inflow from operating activities	17(b)	**24,550**	**19,840**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	23
Purchase of property, plant and equipment		(25,590)	(21,172)
Purchase of intangible assets		(809)	(423)
Net cash (outflow) from investing activities		**(26,399)**	**(21,572)**
Cash flows from financing activities			
Net proceeds from borrowings/(repayments)		10,000	7,990
Dividends paid to equity holders of the parent		(7,169)	(6,264)
Net cash inflow/(outflow) from financing activities		**2,831**	**1,726**
Net increase/(decrease) in cash and cash equivalents		**982**	**(6)**
Cash and cash equivalents at the beginning of the financial year		**915**	**921**
Cash and cash equivalents at the end of the financial year	17(a)	**1,897**	**915**

The accompanying notes form part of these financial statements.

Deloitte.
for
Identification

Notes to the Financial Statements

For the financial year ended 30 June 2018

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 orientated 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 and the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, foreign currency bank accounts and certain items of property, plant and equipment (see notes 1(h) and 1(k)). Historical cost is based on the fair values of the consideration given in exchange for goods and services.

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

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

(b) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). For the purposes of complying with NZ GAAP, the Company is a for-profit entity. These financial statements comply with New Zealand International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

This financial year, the Company has meet the criteria of a large for-profit public sector entity based on reaching the annual expenses threshold. It qualifies for NZ IFRS RDR in the current year, however in subsequent years will be required to comply with Tier 1 reporting obligations. The Company has elected to apply NZ IFRS RDR in the current year and has applied disclosure concessions.

(c) 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 rebates 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 and commercial transport revenue are recognised in the accounting period in which the actual service is provided to the customer.

Deloitte.
for
Identification

(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.

(v) Vested assets

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

(d) 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

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

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

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

(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.

(e) Employee Benefits

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

Deloitte.
for
Identification

(f) Taxation

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

(i) Current Tax

Tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before income tax' as reported in the Income Statement 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 statement of financial position date.

(ii) Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the comprehensive balance sheet liability method. Deferred tax liabilities are generally recognised for all deductible 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. 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.

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.

(iii) Current and Deferred Tax for the Year

Current and deferred tax is recognised 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.

(iv) 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.

(g) 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.

(h) Property, Plant and Equipment

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

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

Deloitte.
for
Identification

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

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

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

Revaluations

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

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

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

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
Right-of-use asset	Market Value
Runways, Taxiways & Aprons	Optimised Depreciated Replacement Cost
Terminal (including noise mitigation works) 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 building (noise mitigation), runways, taxiways and aprons so as to write-off the carrying value cost of each asset to its estimated residual value over its estimated useful life. Runways, taxiways and aprons are depreciated on a straight line (SL) basis.

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

Deloitte.
for
Identification

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

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

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

Disposal

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

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

Capitalisation of costs

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

(i) Intangible Assets

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

(j) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit for the year immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

(k) Foreign Currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer (l)(iv) hedging accounting policy).

(l) 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) Financial Assets

Effective Interest Method

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 the income statement, 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 Income Statement for the year.

For financial assets measured at amortised cost, 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

Deloitte.
for
Identification

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 Income Statement over the period of the borrowing using the effective interest method.

(iii) Derivative Financial Instruments

The Company enters into certain derivative financial instruments to manage its exposure to interest rate risk and foreign currency exchange rate risks, including interest rate swaps and foreign exchange forward contracts. 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

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 attributable to the hedged risk 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 the income statement.

Amounts previously recognised in the hedging reserve are reclassified from equity to the Income Statement in the periods when the hedging item affects 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 non-financial asset or non-financial 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 income statement.

Deloitte.
for
Identification

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

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

New and amended standards and interpretations

The Company applied for the first time amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. The new standards and amendments did not have a material impact on the annual financial statements of the Company.

Amendments to NZ IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for both the current and the comparative period in 17(c).

The Company has applied NZ IFRS RDR disclosure exemption for standards issued but not yet effective, in accordance with NZ IAS 8 para. 30.

Deloitte.
for
Identification

2. Surplus from Operations

(a) Revenue

	2018 $ 000's	2017 $ 000's
Revenue consisted of the following items:		
Revenue from rendering of services:		
Passenger/landing charges	26,613	23,403
Ground transport revenue	4,647	3,080
Total revenue from rendering of services	31,260	26,483
Operating lease rental revenue	12,845	11,330
Interest revenue	18	47
Other revenue	1,517	1,035
Total Revenue	**45,640**	**38,895**

During the year ending 30 June 2018, the Company received QLDC's half share interest of the Park and Ride carpark construction. The Company has valued this at a fair value of $568,385 and recognised the amount as other revenue.

(b) Other Gains

	2018	2017
Gain on disposal of property, plant and equipment	-	7
Net foreign currency exchange gains	28	95
Total Other Gains	**28**	**102**

(c) Employee Benefits Expense

	2018	2017
Salaries and wages	5,683	4,692
Directors fees	271	184
Total Employee Benefits Expense	**5,954**	**4,876**

(d) Finance Costs

	2018	2017
Interest on borrowings	2,491	1,974
Less: Interest capitalised to projects	(18)	(23)
Total Finance Costs	**2,473**	**1,951**

Interest was capitalised at a weighted average cost of borrowings for projects of 3.83% (2017: 4.27%)

Deloitte.
for
Identification

3. INCOME TAXES

(a) Income Tax Recognised in the Income Statement

	2018 $ 000's	2017 $ 000's
Tax expense/(income) comprises:		
Current tax expense/(income):		
Current year	6,651	5,242
Adjustments for prior years	16	(58)
Subvention payment	-	(555)
	6,667	**4,629**
Deferred tax expense/(income)		
Origination and reversal of temporary differences	(530)	(314)
Adjustment for prior year and other	(13)	30
Amortisation of tax component of derivatives	(119)	(95)
	(662)	**(379)**
Total Tax Expense	**6,005**	**4,250**

During the year ending 30 June 2017, a subvention payment of $554,541 was made by the Company to purchase $1.98 million of tax losses from the Queenstown Lakes District Council at 28c per $1.00 of tax loss. These tax losses were used to offset tax payable for the year ending 30 June 2016 and were recognised in prior year's tax expense and disclosed as a Subvention payment. In the current year no subvention payment was made.

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

	2018	2017
Surplus before income tax	**20,946**	**16,326**
Income tax expense calculated at 28%	5,865	4,571
Permanent differences	137	83
Creation/reversal of temporary difference	122	116
Adjustment for prior year and other	-	(43)
Subvention payment	-	(399)
Amortisation of tax component of derivatives	(119)	(78)
Income Tax Expense	**6,005**	**4,250**

(b) Income Tax Recognised Directly In Other Comprehensive Income

Deferred tax of $0.8 million (2017: $2.1 million) has been charged directly to other comprehensive income during the period, relating to the revaluation of fixed assets and the fair value movement in the interest rate swaps and foreign exchange forward contracts.

Deloitte.
for Identification

(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

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

2017	Opening balance $ 000's	Charged to profit for the year $ 000's	Charged to other comprehensive income $ 000's	Closing balance $ 000's
Gross deferred tax assets/(liability):				
Property, plant and equipment	(12,654)	385	(2,027)	(14,296)
Intangible assets	(757)	132	-	(625)
Employee benefits	67	36	-	103
Derivatives	45	-	(118)	(74)
Trade and other payables	64	(252)	-	(188)
	(13,235)	**301**	**(2,145)**	**(15,080)**

During the year ending 30 June 2016, a movement in deferred tax on derivatives of $578,340 occurred relating to losses on interest rate swaps closed out during that financial year (refer Note 6) . These are being amortised over the original life of the swap, reducing the tax expense for accounting purposes, but were immediately deductible for tax purposes. During the year ending 30 June 2018, $145,375 (2017: $94,810) was recognised as a reduction in tax expense (refer Note 3(a)).

(d) Imputation Credit Account Balances

	2018 $ 000's	2017 $ 000's
Balance at beginning of year	14,343	12,147
Income tax paid and payable	6,665	5,270
Tax credits relating to dividend payment	(2,788)	(2,436)
Refund of tax	-	(638)
Adjustment to prior year	-	-
Balance at end of year	**18,220**	**14,343**

Deloitte.
for Identification

	2018 $ 000's	2017 $ 000's

4. Operating Expenses

	2018 $ 000's	2017 $ 000's
Total Operating Expenses	**8,087**	**7,967**
Operating expenses include the following:		
Audit fees - disclosure financial statements	26	25
Audit fees - financial statement audit	63	65
Bad debts written off	22	-
Doubtful debts	31	15

5. Trade & Other Receivables

	2018 $ 000's	2017 $ 000's
Trade and other receivables	3,791	3,455
Allowance for doubtful debts	(46)	(15)
Total Trade & Other Receivables	**3,745**	**3,440**

6. Derivatives

Derivative financial assets/(liabilities):

	2018 $ 000's	2017 $ 000's
Interest rate swap (i) (effective)	(109)	239
Foreign exchange forward contracts (effective)	(27)	24
Total Derivatives	**(136)**	**263**

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 $22.5 million cover approximately 40% of the principal outstanding. The fixed interest rates range between 2.3450% and 2.6225% (2017: 2.3450% and 2.6225%). 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. During the year ending 30 June 2016, the Company closed out $20 million of interest rate swaps at rates ranging from 4.78% to 5.615% at a loss (net of tax) of $1.5 million. As these were designated hedge relationships, the net loss and related tax benefit will be recognised in the Income Statement, over the period of the original swap. During the year ending 30 June 2018, the interest expense of $519,197 and tax benefit of $145,375 was recognised (2017: $338,606 and $94,810 respectively - refer Note 3(a)).

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.

Deloitte.
for
Identification

7. Property, Plant and Equipment

	Land	Right of use Asset	Buildings	Runways, Taxiways & Aprons	Plant & Equipment	*Total*
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At fair value	170,620	-	49,689	47,454	13,658	281,421
At cost			-	-	15,767	15,767
Work in progress at cost	4,447	-	490	-	4,514	9,451
Accumulated depreciation	-	-	-	-	(8,724)	(8,724)
Balance as at 30 June 2017	**175,067**	**-**	**50,179**	**47,454**	**25,215**	**297,915**
Additions	2,104	11,421	2,779	2,551	4,606	23,461
Revaluation recognised in revaluation reserve	29,826		1,869	937	427	33,059
Revaluation recognised in profit and loss	(1)	(52)	(134)			(187)
Disposals	-	-	-	-	-	-
Depreciation	-	(29)	(2,772)	(1,927)	(2,638)	(7,366)
Movement to 30 June 2018	**31,929**	**11,340**	**1,744**	**1,561**	**2395**	**48,968**
At fair value	202,285	11,340	51,465	48,846	17,822	331,758
At cost			-	-	19,690	19,690
Work in progress at cost	4,711	-	457	169	350	5,687
Accumulated depreciation	-	-	-	-	(10,252)	(10,252)
Balance as at 30 June 2018	**206,996**	**11,340**	**51,922**	**49,015**	**27,610**	**346,883**

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

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

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

Deloitte.
for
Identification

(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.

8. Intangible Assets

	2018 $ 000's	2017 $ 000's
Cost		
Opening balance	3,946	3,538
Transfer to property, plant and equipment	-	(384)
Additions from internal developments	885	792
Total cost closing balance	**4,831**	**3,946**
Accumulated amortisation		
Opening balance	1,021	465
Transfer to property, plant and equipment	-	(15)
Amortisation expense	656	571
Total accumulated amortisation	**1,677**	**1,021**
Total Carrying Value of Intangible Assets	**3,154**	**2,925**

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

Noise boundaries	6 to 9 years
Flight fans	15 years

9. Trade & Other Payables

	2018	2017
Trade payables	1,536	1,479
Other creditors and accruals	1,765	4,166
Total Trade and Other Payables	**3,301**	**5,645**

10. Employee Entitlements

	2018	2017
Accrued salary and wages	589	502
Annual leave	447	367
Total Employee Entitlements	**1,036**	**869**

Deloitte.
for
Identification

11. Borrowings

	Commencement Date	Expiry Date	Line limit	Drawn at 30 June 2018	Drawn at 30 June 2017
			$ 000's	$ 000's	$ 000's
BNZ Facility A	23 May 2016	22 May 2020	30,000	21,000	27,000
BNZ Facility B	1 August 2016	31 July 2021	30,000	10,000	-
Westpac Facility A	23 May 2016	22 May 2020	20,000	20,000	20,000
Westpac Facility B	1 August 2016	31 July 2021	20,000	6,000	-
Westpac Facility C	30 April 2018	29 April 2021	20,000	-	-
Westpac Facility D	30 April 2018	29 April 2023	20,000	-	-
ASB Facility	30 April 2018	29 April 2020	20,000	-	-
Bank of China Facility	30 April 2018	29 April 2023	60,000	-	-
Total Current and Non-Current Borrowings			**220,000**	**57,000**	**47,000**
Disclosed in the financial statements as					
Current				-	-
Non-current				**57,000**	**47,000**

The Company extended its banking facilities from $100 million to $220 million for 2 to 5 year terms sourced from four major banks. The bank facilities are secured by a general security agreement over the Company's assets, undertakings and any uncalled capital. The weighted average interest rate on the term loan for the year ending 30 June 2018 was 4.0% (2017: 3.8%).

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

12. Share Capital

	2018 No.	2017 No.	2018 $ 000's	2017 $ 000's
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	16,060,365	16,060,365	37,657	37,657
Balance at End of Year	**16,060,365**	**16,060,365**	**37,657**	**37,657**

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

Deloitte.
for Identification

13. Retained Earnings and Reserves

	2018 $ 000's	2017 $ 000's
(a) Retained Earnings		
Balance at the beginning of the year	25,902	20,090
Profit for the year after taxation	14,941	12,076
Dividends paid during the year	(7,169)	(6,264)
Balance at End of Year	**33,674**	**25,902**
(i) Dividends Paid		
Final Dividend	6,169	5,264
Interim Dividend	1,000	1,000
Total Dividend Paid	**7,169**	**6,264**

On 16th February 2018 an interim dividend of 6.23 cents per share (total dividend of $1,000,000) for the year ending 30 June 2018 was paid to holders of fully paid ordinary shares.

On 23th August 2017 a final dividend of 38.41 cents per share (total dividend of $6,169,007) for the year ending 30 June 2017 was paid to holders of fully paid ordinary shares.

Deloitte.
for Identification

(b) Asset Revaluation Reserve

	2018 $ 000's	2017 $ 000's
Balance at the beginning of the year	172,222	142,194
Increase arising on revaluation of assets	33,059	32,055
Deferred tax movement arising on revaluation	(905)	(2,027)
Reclassification in retained earnings	-	-
Balance at End of Year	**204,376**	**172,222**

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

	2018	2017
Balance at the beginning of the year	(816)	(1,319)
Gain/(loss) recognised on interest rate swaps	(348)	399
Deferred tax movement arising on interest rate swaps	97	(112)
Gain/(loss) recognised on forward exchange contracts	(51)	24
Deferred tax movement arising on forward exchange contracts	15	(7)
Realised losses/(gains) transferred to the income statement	306	198
Balance at End of Year	**(797)**	**(816)**

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 (refer Note 6).

14. Commitments for Expenditure

Capital Expenditure Commitments

	2018	2017
Acquisition of property, plant and equipment	298	754
Apron overlay	6,816	-
Noise mitigation packages (refer Note 19)	235	594
Committed for Acquisition of Property, Plant and Equipment	**7,349**	**1,348**

15. Operating Lease Arrangements

(a) Company as Lessee; Operating Lease Commitments

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

	2018	2017
Non-cancellable operating lease payments:		
Not longer than 1 year	99	39
Longer than 1 year and not longer than 5 years	69	60
Total Company as Lessee; Operating Lease Commitments	**168**	**99**

Deloitte.
for
Identification

(b) Company as Lessor; Operating Lease Rental

Operating leases relate to the commercial property owned by the Company with lease terms of between 4 months to 33 years, with options to extend for up to a further 10 years. The lease terms at 30 June 2018, extend up to 20 years in the future. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

	2018 $ 000's	2017 $ 000's
Less than 12 months	8,833	9,123
1-5 years	14,973	16,399
5 years +	2,092	5,095
Total Company as Lessor, Operating Lease Rental	**25,898**	**30,617**

16. 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
- P Flacks – Director, Bank of New Zealand
- J W P Hadley – Director, Hadley Consultants Limited
- J W Gilks – Trustee, Warbirds Over Wanaka Community Trust
- G R Lilly – Director, Civil Aviation of New Zealand (CAA), Aviation Security Services, and Go Rentals (Auckland) Limited
- N J Thompson – Committee member, ISPS Honda NZ Golf Open
- M R Thomson – Shareholder representative, Auckland International Airport Limited (AIAL)
- M Stiassny – Chair, NZ Transport Agency
- A Young-Cooper – Member, NZ Transport Agency

Deloitte.
for
Identification

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

	2018 $ 000's	2017 $ 000's
Queenstown Lakes District Council		
Rates	(380)	(332)
Resource and building consent costs & collection fees	(8)	(22)
Development contributions	(22)	(408)
Payment for construction works	(626)	(549)
Rent – NASA Lease	(39)	(24)
Right-of-use-asset – Wanaka Airport	(11,300)	-
Purchase of Assets – Wanaka Airport	(3,200)	-
Other	(5)	(8)
Subvention payment	-	(555)
Wanaka Airport management fee	175	230
Parking Infringement Income	76	-

The transactions above include amounts payable to QLDC as at 30 June 2018.

As at 30 June 2018, the company received vested asset revenue, QLDC's half share interest in the completed Park and Ride Facility $568,385. Queenstown Events Centre netball courts and six holes of the Frankton golf course are located on company land to the north west of the runway. Revenue from this lease was $25,000 (2017: $25,000).

	2018 $ 000's	2017 $ 000's
Auckland International Airport Limited		
Rescue fire training	(13)	(50)
Purchase of fire appliance	(2)	-
Director fees	(38)	-

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

	2018 $ 000's	2017 $ 000's
Hadley Consultants Limited		
Consultant engineering services	-	(2)
Warbirds Over Wanaka Community Trust		
Warbirds over Wanaka Event Fee	13	-
Civil Aviation of New Zealand		
CAA certification audit fees	(10)	(9)
Aviation Security Service		
Airport security cards	(8)	(7)
Rental, power recovery and parking revenue	239	194
ISPS Honda NZ Golf Open		
Sponsorship	(10)	(10)
Go Rentals (Auckland) Ltd		
Commercial parking revenue	101	79
New Zealand Transport Agency		
Recovery of governance workshop costs	8	-

Deloitte.
for Identification

BNZ		
Interest paid, other bank fees and interest received	(865)	(864)

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

Aviation Security Service		
Rental, power recovery and parking revenue	8	3

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

Queenstown Lakes District Council	(1)	(957)
Auckland International Airport Limited	-	(10)
Aviation Security Services	(1)	(1)
BNZ Borrowings (refer note 11)	(31,000)	(23,000)
BNZ Foreign exchange forward contract (refer note 6)	(27)	24
BNZ Interest Accruals	(134)	(35)
BNZ Credit Card Accruals	(6)	(28)

(f) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was $1,744,782 (2017: $1,430,802).

17. Notes to the Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. As required under the Construction Contracts Act 2002, cash includes retentions of $19,799 held on trust, which are payable by the Company on completion of contractual obligations by third parties. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand	13	15
Bank account	1,884	900
Total Cash and Cash Equivalents	**1,897**	**915**

Deloitte.
for
Identification

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

	2018 $ 000's	2017 $ 000's
Profit for the year	**14,941**	**12,076**
Add/(less) non-cash items:		
Amortisation	656	571
Depreciation and impairment	7,553	6,751
(Gain)/Loss on sale of property, plant & equipment	-	(7)
Unwind of deferred tax liability to tax expense	(530)	(301)
Revenue on vested asset	(568)	-
Other	306	199
	7,417	**7,213**
Changes in assets and liabilities:		
Increase in trade and other receivables	(304)	(751)
Increase in prepayments	(97)	(225)
Increase in current tax payable	2,180	1,002
Increase/(decrease) in trade and other payables	(2,375)	2,201
Increase in Income in Advance	-	28
Increase in employee entitlements	168	405
Movement in items reclassified as investing and financing activities	2,620	(2,108)
	2,192	**552**
Net Cash Inflow from Operating Activities	**24,550**	**19,840**

(c) Changes in liabilities rising from financing activities

2018	**Opening balance $ 000's**	**Cash flows $ 000's**	**Other $ 000's**	**Closing balance $ 000's**
Non-current interest-bearing borrowings	47,000	10,000	-	57,000
Derivatives	-		136	136
Total liabilities from financing activities	**47,000**	**10,000**	**136**	**57,136**

2017	**Opening balance $ 000's**	**Cash flows $ 000's**	**Other $ 000's**	**Closing balance $ 000's**
Non-current interest-bearing borrowings	39,010	7,990	-	47,000
Derivatives	160	-	(160)	-
Total liabilities from financing activities	**39,170**	**7,990**	**(160)**	**47,000**

Deloitte.
for
Identification

18. 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 30 June 2018 an unrealised loss of $37,000 net of tax $14,000 relating to the hedging instruments, is included in other comprehensive income (2017: unrealised gain of $17,000 net of tax $7,000). 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 30 June 2018 the Company had interest rate swap agreements in place with a notional amount of $22.5 million (2017: $22.5 million), covering approximately 40% of the principal outstanding (2017: 48%). 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 loss of $251,000 net of tax $97,000 relating to the hedging instruments, is included in other comprehensive income (2017: unrealised gain of $287,000 net of tax $112,000).

(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.

Deloitte.
for
Identification

19. Contingent Liabilities

(a) Noise Mitigation

The Company has implemented a programme of works to assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise boundaries. This financial year the company progressed the delivery of inner noise mitigation packages offered to the 11 properties as at 30 June 2017. As at 30 June 2018, the company has started inner noise mitigation works on 7 houses, at a cost of $625,000. These costs have been recognised as part of buildings within the property, plant and equipment of the Company (Note 7). The cost to complete these houses plus the estimated cost of 1 house that has since accepted is $235,000, which has been disclosed as a capital commitment in Note 14.

In early June 2018, 107 letters were sent out, 84 offering mid-noise mitigation works (mechanical ventilation packages), and 23 for the second round of inner noise mitigation packages. Subsequent to 30 June 2018, 38 of 107 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

Noise levels are monitored regularly and, as the noise contours expand, further offers will be made. The Company estimates approximately 200 properties eventually will be offered noise mitigation works under the approved/consented boundaries. As it is not possible to predict accurately 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 quantify the overall cost or timing of mitigation works.

20. Subsequent Events

The Directors resolved on 21 August 2018 that the final dividend for the year ended 30 June 2018 would be $6,186,386. There were no other significant events after balance date.

Deloitte.
for
Identification

Statement of Service Performance

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

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

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

FY2018 objectives

QAC set the following strategies for the FY18 year:

- Aeronautical strategy
  - Making journeys safe, secure, efficient and rewarding for us all
- Commercial strategy
  - Providing value for our visitors
- Property strategy
  - Making best use of our land
- One Team strategy
  - Working together to achieve the best outcomes.

Deloitte. for Identification

OPERATIONS STRATEGY

Making journeys safe, secure, efficient and rewarding for us all

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Work with our airline and airport stakeholders to deliver passenger growth and share the rewards	• Continue to work on initiatives to encourage airlines to fly directly to Queenstown and to grow sustainable air connectivity with a focus on expanding existing links and capitalising on new opportunities • Further evaluate how visitors connect with Queenstown based on our 30-year demand forecasting and our route development strategy	• Achieved • Partially Achieved	• Airline route development strategy	• June 2018	• Regular discussions with airlines regarding the Queenstown-Wellington schedule resulted in airline schedule changes • New Wellington flights operated by Jetstar from March 2018 • Additional Wellington flights operated by Air New Zealand from March 2018 • New same day return service operated by Air New Zealand commencing October 2018 • Improvements on reporting and tracking passenger and aircraft movements
Deliver affordable, timely infrastructure for the safe, secure and efficient movement of people	• Maximise existing Queenstown Airport terminal capacity through the introduction and expansion of after-dark flights. After dark flights allow the airport to take advantage of its full consented operational hours between 06:00 and 22:00, moving from an approximate 8-hour operating window during the winter peak to a 16-hour operating window • Continue to manage resourcing within QAC's Operations team to manage both overall growth and growth into the expanded hours	• Achieved • Partially Achieved	• Purchase and implement new winter operations equipment • Increase capacity in baggage make-up area • Apron asphalt overlay • Terminal upgrade	• July 2017 • June 2018 • March 2018 • Dec 2017 to June 2020 • June 2019	• New snow sweeper arrived and all clearing equipment fully operational, staff trained and competent in use • Baggage system feasibility study completed • Apron overlay contract awarded and due to be delivered Q2 2018 All four airlines now operating after-dark flights out of Queenstown • *See Property Section*

Deloitte.
for Identification

OPERATIONS STRATEGY

Making journeys safe, secure, efficient and rewarding for us all

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
	of operation. A strong focus on collaborative operations, continuous improvement and facilities management continues across the business • The acquisition of Lot 6 continues to be a priority in order to optimise airfield operations, allowing the positioning of a parallel taxiway and relocating the general aviation precinct away from scheduled operations and enabling additional apron capacity for scheduled operations	• Partially Achieved	• PWA completed		

Deloitte.
for
Identification

OPERATIONS STRATEGY

Making journeys safe, secure, efficient and rewarding for us all

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Deliver New Zealand's safest, most secure and efficient passenger experience through engaging with the airport community in collaborative operations	• Operations team will continue to lead the promotion, scope and delivery of improvements for passenger facilitation, operational processes and systems • Establish baseline passenger processing time in arrivals and departure processing halls and set processing performance targets with border agencies • Continue to work with Customs to expand the nationalities which can utilise E-Gates • IATA service level C maintained for all but peak days • Work collaboratively with Airways to introduce technology to manage the increasing risk of unmanned aerial vehicle (Drone) risks to historic aviation activities.	• Partially Achieved • Achieved • Achieved • Partially Achieved • Partially Achieved	• Collaborative Border Agency Space Modification (BASM) group to focus on terminal capacity optimisation, end-to-end process improvement of passenger facilitation and operational efficiencies • Seasonally-based passenger processing targets agreed by border agencies, reviewed weekly and reported • New biometric automated passenger processing expanded to more nationalities • Top 5 and bottom 5 quarterly targets shared with collaborative operations team and improvement targets set. • Trial and identify Unmanned Traffic Management ("UTM") systems to approve, track and more effectively manage drone flight activities in controlled airspace.	• Commenced June 2017 • Ongoing • August 2017 • Ongoing • July 2018	• Design and tendering of works completed May 2018. Physical works commence Aug 2018 • Nationalities able to be processed have been increased to include 12 passports through E-gates • Information sharing commenced and targets to be agreed

Deloitte.
for Identification

OPERATIONS STRATEGY

Making journeys safe, secure, efficient and rewarding for us all

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Achieve Zero Harm (People and Environmental Incident) through leadership focused on health, safety and risk management, clear accountabilities and effective systems	• Continue to engage the wider airport community in a collaborative approach toward continuous improvement in site health and safety • Develop and implement an Operations-based risk management assurance standard • Through focused leadership, continue to drive a strong Health and Safety culture within QAC • Promote a 'just culture' and open reporting system where we focus on key learnings • Maintain effective Health & Safety environmental systems which exceed legislative requirements • Regularly review the QAC Business Continuity Management (BCM) framework to reflect the size and response scale of operation • Continue to practise and stress-test our emergency preparedness (airport emergency plan)	• Achieved • Achieved • Achieved • Achieved • Achieved • Achieved • Achieved	• Target = achieve zero harm to people and environment • Target = zero harm injuries to airport community and passengers in airport precinct • Implement comprehensive layered audit programme • 'Just culture' procedures embedded in business as usual operations • Achieve health and safety accreditation against AS/NZS 4801 and continue to implement ICAO/CAR based SMS against 3-year plan • Stress-test BCM plan/contingency procedures • Further non-aeronautical (i.e. earthquake, terminal fire) exercises planned and delivered to stress-test our emergency preparedness	• Ongoing • Ongoing • December 2017 • Ongoing • January 2018 • Ongoing • November 2017 • June 2017 onwards • June 17 – April 2018	• Recorded no Lost Time Injuries for employees or contractors for over three years • Implemented safety audit programme and training with key staff completed • Achieved AS/NZS4801 status • Implemented Safety Management System (RMSS) and all Operations staff trained and competent in reporting • Completed first emergency exercise at Wanaka Airport with airport operators and emergency services • Cross airport emergency exercise planned for late 2018 • Continued involvement in Airport Safety Week with week-long calendar of events. Wanaka Airport took part for the first time • Launched the "See it, Hear it, Report it" initiative to encourage reporting of safety or health issues across the airport community • Introduction of airside driver safety and awareness programme

OPERATIONS STRATEGY

Making journeys safe, secure, efficient and rewarding for us all

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Deliver reliable facilities and infrastructure through asset lifecycle management, effective maintenance and contingency planning	• Build a comprehensive inventory of assets and understand their current performance/condition in order to develop an Asset Management Plan • Implement a Project Management system to manage the delivery of capital projects • Implement maintenance management and corrective action ticketing and reporting software to more efficiently track and manage maintenance activities. • Contingency plans and/or infrastructure in place for key utility services and aeronautical systems, i.e. power, water, waste water, runway lighting, CCTV, access control, FIDs, ATC • Develop an energy conservation programme for airport terminal infrastructure • Waste minimisation programmes developed	• Partially Achieved • Not Achieved • Achieved • Partially Achieved • Partially Achieved • Partially Achieved	• Comprehensive facilities maintenance and lifecycle replacement programme scoped • Projects can be easily and effectively managed through their entire life cycle. Implement fault, defect and corrective action reporting and recoding software. • Airport utility and systems contingency risks identified, documented and an implementation plan in place • Set energy conservation targets • Set waste minimisation targets	• August 2017 and ongoing • Ongoing • June 2017 • January 2017 onwards • Ongoing • February 2018	• New facilities and maintenance system selected and implementation underway • Project Management System initiative yet to be started • Work is underway to build more resilience across all infrastructure initiatives with a focus on water services • Waste minimisation plan is being prepared as a sub set of the environmental management strategy

Deloitte.
for Identification

COMMERCIAL STRATEGY

Providing value to our visitors

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Develop a boutique terminal retail mix that reflects the uniqueness and quality of the regional experience and optimises returns and customer satisfaction	• Continue to develop terminal retail to provide a boutique shopping environment for consumers, with a mix of local owner-operators and larger corporate-owned stores • Continue to optimise and expand the terminal for passenger flow, processing areas and retail mix through the master planning process	• Achieved • Partially Achieved	• Commercial revenue growth as per financial forecast	• 2018-2020	• Revenue targets achieved • Retail tenancies renewed • Pop-up strategy successfully expanded to increase the retail and food and beverage offering
Optimise returns from transport networking activity by optimising products, price and partnerships	• Changes to the Queenstown Airport terminal road network and carparks will be made by 30 June 2017 to improve flow and reduce congestion. This will in turn provide us with opportunities to review and diversify products and the pricing structure for the commercial and public car parks • Launch a 12-month park and ride trial • A new car parking and transport strategy will assist us in future planning for car parking, ground transport capacity and new related products	• Achieved • Partially Achieved • Achieved • Partially Achieved	• Improvements to road layout and flow completed • New commercial vehicle layout and licence structure introduced • Public car park pricing reviewed and new products and sales channels added • Park and ride trial provides sufficient data to inform a long-term off-terminal strategy	• 30 June 2017 • 30 June 2017 • June 2017 – June 2019 • Launched 22 June 2017	• Improvements to the roading layout and flow completed • P2 Drop-off forecourt zone completed • Additional staff carparking capacity added • Dedicated coach parking area introduced and new pricing structure • Dedicated taxi and shuttle queuing lanes completed • Park and ride trial successfully completed and 300 spaces now available • Public carparking pricing updated • New external wayfinding and transport signage introduced

Deloitte.
for Identification

COMMERCIAL STRATEGY

Providing value to our visitors

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Introduce innovative new revenue opportunities, particularly through the use of digital media and technology	• Monitor new technologies and trends and form strategic partnerships to provide new revenue opportunities, customer enhancements or airport efficiencies • Use WiFi heatmapping technology to monitor dwell times and use the information to develop most valuable terminal spaces • Work collaboratively with advertising agencies and potential advertisers to create new and different ways to connect with customers. Focus on experiential advertising to help create a sense of place and ambience in the terminal • Input into master plan to ensure there are optimal spaces for advertising with a focus on more flexibility to introduce/update digital technology	• Achieved • Partially Achieved • Achieved • Partially Achieved	• Monitor customer experience and behaviours via quarterly research results (i.e. airport experience survey) • Review advertising assets, contracts and suppliers • Roll out a phased plan of digital media and technology improvements	• Quarterly • June 2018 • July 2018	• Continued to monitor customer experience via DKMA survey • Continued to implement changes based on customer feedback – review of food and beverage offerings • High resolution state-of-the-art flight information display screen (FIDS) installed in the main concourse • Advertising contract tender process completed with new advertising partner commencing 1 July 2018 • Maximised event sponsorships through in-terminal advertising– Millbrook and Cardrona advertising wall

Deloitte.
for Identification

PROPERTY STRATEGY

Making best use of our land

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Develop a master plan for Queenstown Airport that will inform internal planning, facilitate stakeholder & community engagement and provide a spatial framework for the airport's future	• The 30-year master plan process will provide guidance on the land needed for future aeronautical operations and planning requirements for planned growth • Explore the opportunity to capitalise on the growth in Frankton Flats by integrating the airport into the surrounding area to support other economic areas for the district	• Achieved • Partially Achieved	• Draft Master Plan developed • Draft Master Plan Options completed • Stakeholder engagement on Draft Master Plan • Community engagement on Draft Master Plan	• February 2017 • April 2017 • June 2017 • August – October 2017	• Draft Master Plan Options document created outlining demand forecasts and options to accommodate growth out to 2045 • Identified three possible options for infrastructure required to accommodate targeted growth • Fly-in visits and special events held around the region with members of the community • Online survey launched seeking community opinion and feedback on the Master Plan options • Engagement continued with key stakeholders - regional and national. • A proposal to expand Queenstown Airport's noise boundaries was developed, and a pre-engagement process undertaken with key stakeholders, with public consultation to commence in FY19.
Protect the airport's long-term objectives and capacity by inputting to national, regional and local planning, and addressing proposed developments/land uses within the airport's designations	• Be proactive in regulatory planning issues, submitting as required on national, regional and local planning frameworks • Engage with the QLDC Proposed District Plan (PDP) process to ensure Queenstown and Wanaka airport's planning	• Achieved • Partially Achieved	• Airport Mixed Use Zone is approved and operative for both Queenstown and Wanaka Airports • PC35 (QAC) and PC26 (Wanaka) provisions and recognition of	• 2020 (subject to QLDC's final PDP timeline) • Ongoing	• Stage One and designation hearings were held for PDP and recommendations / decisions issued by QLDC • Continued to engage with QLDC around changes to designations and the district plan

Deloitte.
for Identification

PROPERTY STRATEGY

Making best use of our land

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
	frameworks are provided for, protected or enhanced • Actively participate in community discussions to help maintain visitor experience and quality of life for the permanent resident base. This would assist in integrating the airport in the local community as it expands over the coming 30 years	• Partially Achieved	Queenstown Airport as nationally significant infrastructure is effectively confirmed within the District Plan review		• Participated in strategic and community discussions on a local, regional and national level. These included DQ and LWT strategy/planning sessions, TIA and TNZ updates, TRENZ, Transport Governance Group, National Airports Association, Chambers of Commerce events, and Shaping our Future Transport Forum.
Develop land holdings to maximise return on investment while complementing long term aviation growth	• Assess development opportunities for their long term sustainable value to the airport within our relatively constrained land available for this use. Specific opportunities being explored include working with QLDC on the development of a transport hub linked to QAC's transport network, visitor accommodation, and commercial/industrial development.	• Partially Achieved	• Broad land uses determined in Master Plan process	• Ongoing	• Participated in various transport strategy sessions, workshops and forums, including the regional Transport Governance Group.
Work with key partners to ensure infrastructure outside the airport supports and does not constrain long term airport growth and vice versa	• Participate and provide joint leadership in the Transport Governance Group together with QLDC, NZTA and ORC	• Achieved	• Joint development of a Queenstown Integrated Programmed Business Case	• Ongoing	• Ongoing participation in the regional Transport Governance Group and Communications Group to ensure well planned and timely responses to transport solutions outside the airport. • Worked with council and other stakeholders to ensure leadership

Deloitte.
for Identification

PROPERTY STRATEGY *Making best use of our land*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
					in providing solutions to the region's continued growth. • Supported the launch of Orbus – the Wakatipu Basin's first subsidized public transport service with advice and communications support.
Acquire or rationalise land holdings to support our strategies	• Secure and develop Lot 6 to accommodate a 168m separated heavy taxiway and a new aviation precinct. • Assess opportunities to acquire other land that will support the long-term growth of the airport	• Not Achieved • Achieved	• Secure the acquisition of 'Lot 6' • Assess and present land acquisition opportunities on case by case merits	• FY19 • Ongoing	• Work continued to progress the acquisition of Lot 6. The Notice of Requirement was confirmed by the Environment Court in March 2017. This decision was appealed by Remarkables Park Ltd (RPL) and a hearing in the High Court held in December 2017. The High Court ruled in favour of QAC on this appeal in March 2018. • RPL also sought a full rehearing of the final decision on the original Notice of Requirement which was subsequently rejected by the Environment Court in a final decision issued on 20 April. • Secured one property in the Air Noise Boundary on Lake Avenue

Deloitte.
for Identification

PROPERTY STRATEGY

Making best use of our land

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Optimise returns on property, leases, licences and commercial property held within QAC's portfolio consistent with strategic objectives	• Continue to evaluate opportunities to grow commercial property portfolio revenues are focused on re-negotiating rents during reviews and when establishing new leases in existing areas based on benchmarking and market dynamics.	• Partially Achieved	• Implement property management system • Leases and licences reviewed and renewed and up to date • New lease and licence opportunities evaluated and implemented on case by case merits • Revenue targets – as per Financial Forecast	• June 2017 • Dec 2017 • Ongoing • 2018-2020	• A backlog of lease events has been completed. • Portfolio has been repositioned and modernised • Revenue targets have been met • A transition plan for commercial lease holders at Wanaka Airport is well underway

Deloitte.
for
Identification

PROPERTY STRATEGY

Making best use of our land

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Design & deliver affordable, timely transport infrastructure for the safe and efficient movement of people and supporting an outstanding visitor experience	• Implement improvements to the vehicle transport and roading networks within landholdings. • Integrate with and support the economic development of Queenstown and the surrounding region including a transport hub which would support local and visitor traffic, linking private vehicles, commercial tourism transport, public buses and possibly ferries.	• Achieved • Not Achieved	• Airport carpark and roading network (Stage IV) improvements delivered • Evaluate further opportunities for car parking capacity increases • Draft car parking and ground transport (CPT) strategy and plan developed • Support the promotion of multi-modal transport choices available at the airport	• June 2017 • Ongoing • Ongoing	• Improvements to roading layout, car parking offering, P2 zone reinstated and dedicated coach park completed • Car Parking and Transport strategy to be refined Q3 FY19 with new Ground Transport Manager • Support the launch and ongoing improvements on the Orbus subsidized buses and continue to promote all modes of transport • Supported launch of Choice App to ensure convenient, multi-modal transport throughout Queenstown from arrival to departure
Provide for region-wide aviation growth and opportunities	• Agree with QLDC a long-term lease over Wanaka Airport • If a lease is signed, ensure a smooth transition and integration, with strong community support.	• Achieved • -Achieved	• Complete negotiation and documentation of long term lease • Agree transition plan	• March 2018 • Apr-May 2018	• A 100-year lease was signed with QLDC and QAC for Wanaka Airport effective 1 April 2018 • Operational, planning and development responsibilities for Wanaka Airport now sit with QAC • Events with the airport community were held to inform them of the lease and details prior to going public • Timeline and plan for negotiating commercial leases created and

Deloitte.
for Identification

PROPERTY STRATEGY *Making best use of our land*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
					presented to lease holders for input • A series of community workshops, as well as a new online engagement tool, were implemented in the community to encourage thinking and get feedback about the future of Wanaka Airport

Deloitte. for Identification

ONE TEAM STRATEGY *Working together to deliver the best outcomes*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
Invest in our team's development and wellbeing and build an empowered one team culture	• Roll out QAC's team values programme and embed throughout the company and wider airport community • Consolidate wellness programme throughout organisation	• Achieved • Partially Achieved	• Employee survey engagement matrix analysis • Staff feel valued and are recognised for a job well done • High level of engaged and motivated staff	• Ongoing	• Implemented a leadership development programme beginning with the senior leadership team • Employee wellness programme continued • The Hub opened providing dedicated facilities for the Operations team • Continued rollout of annual engagement survey with 100% completion rate • Performance and employee development frameworks continued • Quarterly Management Team meeting held to discuss business-wide matters • Continuation of team social events to build engagement and recognise a job well done
Create a deep understanding of our customers, their needs and desires - and how they'll change - to provide a memorable airport experience and effective value propositions	• Consolidate the data sets built over the past 18 months to build a comprehensive framework of customer insights	• Achieved	• Create customer experience and journey framework	• Mar 2018	• Employed a dedicated GM Commercial and Customer Experience • Enhanced Commercial team to provide for a dedicated commercial and customer experience advisor • Continued to collate and analyse customer feedback through the DKMA quarterly survey and implement changes based on customer feedback. • Created a customer experience process to ensure the customer is always at the centre of our decisions

Deloitte.
for
Identification

ONE TEAM STRATEGY

Working together to deliver the best outcomes

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
					• Expanded pop-up retail strategy, based on customer feedback, to provide more choice for the customer and enhance their experience • Conducted customer experience workshops with members of the airport and QAC community to better understand who our customers are, what are their expectations are in order to create a customer experience strategy late in 2018 • The airport's information desk relocated to a central location designed in-line with the new wayfinding signage and aimed to deliver an improved customer service and experience to customers and visitors • Introduction of additional data sources (Qrious, sensor parking and heat maps) to develop understanding of the customer behaviour and assist us to shape our future service offering
Work with our airline & airport partners to optimise operational efficiency and visitor experience through lean and continuous improvement initiatives	• Work with airline, agency and other airport stakeholders to deliver cross-airport process improvement using lean and other tools. Initial focus is departures processing and ground transport and car parking	• Partially Achieved	• Complete 2 lean proof of concept projects (Wave 1): Apron Optimisation, Baggage Make Up Unit • Subsequent lean improvement projects implemented (Wave 2, Wave 3)	• Sept 2017 (Wave 1) • Mar 2018 (Wave 2) • Q1 2019 (Wave 3)	• Wave 1 Optimisation Strategy implemented and continually improved • Commenced "Project Pathway" – a project to increase the efficiency of the current terminal and enable growth for the next three – four years, through review of processes, resourcing, technology and infrastructure changes.

Deloitte.
for
Identification

ONE TEAM STRATEGY *Working together to deliver the best outcomes*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
					Work has focussed this financial year on option identification and evaluation.

Deloitte.
for Identification

ONE TEAM STRATEGY *Working together to deliver the best outcomes*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
Build engagement with stakeholders and the wider region to connect more deeply with the community served by the airport	• Refresh stakeholder engagement plan • Proactive and regular communication to stakeholders • Develop and roll out project-specific communications • Use our company values to identify/refine community engagement opportunities • Actively participate in community discussions to help maintain visitor experience and quality of life for the permanent resident base.	• Achieved • Achieved • Achieved • Achieved • Achieved	• QAC staff are recognised leaders and role models among the wider airport team and community • High level of engaged and motivated staff • Supportive environment for wider airport community to work as one team	• Ongoing • Ongoing • Ongoing	• The QAC stakeholder map and brand voice was refreshed, resulting in a new approach to marketing, design, tone of voice and engagement style. • A new stakeholder and communications engagement plan was created for Wanaka Airport recognising the diverse stakeholders. • Implemented a new online community tool across both airports to better track community engagement and sentiment • Continued focus on airport community news via our bi-monthly ZQN Newsletter • Implemented new digital newsletter supporting Wanaka Airport news and community • Redefined the company brand identity, starting with the Brand Guidelines, new wayfinding signage, Master Plan options document and Wanaka Fact Sheet. • Participated in cross-regional workshops and events • Rolled-out effective communications and engagement plans on the Master Plan options, the future of Wanaka Airport and other campaigns for car parking enhancements and the launch of the Park and Ride trial.

Deloitte.
for Identification

ONE TEAM STRATEGY *Working together to deliver the best outcomes*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
Be a leader, working collaboratively at a local, regional and national level to find solutions to the region's destination management issues	• Work with QLDC, relevant agencies, the business community and the wider resident communities on discussing solutions to destination management issues	• Achieved	• Regular report to the Board • Be an integral member and respected voice within the wider business community on key issues	• Monthly • Ongoing	• Senior leadership team and other managers participated in a number of discussions, forums and events.
Implement the noise management plan to mitigate noise impacts and address community concerns	• Mitigation work will continue rolling out for homes in the inner noise sector • Commence work on homes in the mid noise sector • Noise mitigation works to continue in annual or two-yearly tranches for the next 20 years	• Partially Achieved • Partially Achieved • Partially Achieved	• Airport noise, as measured, is within the levels set in the District Plan • Inner noise sector mitigation works commenced • Mid noise sector consultation commences • Communications are regular, accurate and relevant e.g. passenger stats, website content, ZQN Newsletter, and media releases	• Ongoing • July 2017 • Sep 2017	• Annual Aircraft Noise Compliance (AANC) contours produced to ensure Queenstown Airport operates within the levels set out in the District Plan • Predicted AANC contours produced to determine the Noise Mitigation Programme of works for the 12 months in advance

Deloitte.
for Identification

ONE TEAM STRATEGY

Working together to deliver the best outcomes

Objectives	Key initiatives	Status Key Initiatives	Performance targets	Timing	Work Completed
Optimise facilities and infrastructure to reduce energy consumption, reduce waste and enhance environmental sustainability	• Reduce the climate change impacts of Queenstown Airport and realise cost savings from energy and fuel efficiencies • Set targets for annual total potable water consumption (m3), annual total potable water savings (m3) and uptake water efficient technologies and opportunities, e.g. bore water, grey water, rain capture etc. • Set targets for annual waste production (tonnes), annual waste recycled (tonnes), and annual waste minimised (tonnes) • Build targeted supply chain partnerships to enhance Queenstown Airport's sustainability performance • Set annual environmental performance targets, (including aircraft noise), identify opportunities and implement projects to enhance New Zealand's biodiversity. • Identify an appropriate sustainable business accreditation to measure and benchmark ongoing improvement in environmental sustainability.	• Not Achieved • Not Achieved • Partially Achieved • Partially Achieved • Partially Achieved • Partially Achieved	• Refer Aeronautical Strategy targets • Quarterly report to the Board • Baseline metrics and measurements established in line with a sustainable business accreditation process.	• Refer Aeronautical Strategy timing • March 2017 ongoing • June 2017 ongoing	• Environmental Management Policy, strategy and plan is currently being developed. • Waste management and energy management plans to be developed.

Deloitte.
for Identification

ONE TEAM STRATEGY *Working together to deliver the best outcomes*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
Fund airport strategies cost-effectively	• Prepare a funding strategy for the Master Plan capital requirements.	• Achieved • Partially Achieved	• Medium term funding strategy completed • Long term funding strategy completed	• Dec 2017 • June 2018	• Medium term funding strategy completed and implemented with the raising of an additional $120 million of bank facilities with four major banks. • Long term funding strategy has been further evaluated for the three Queenstown Airport Master Plan options. • The long-term funding strategy will be further refined once the Wanaka Airport Master Plan is completed in 2019
Technology improvements to improve visitor experience, business resilience and operational efficiency	• Implement a cyber security strategy and enhance business continuity to strengthen Queenstown Airport's resilience • Implement Car Parking and Ground Transport technology improvements to improve efficiency and visitor experience • Improved CCTV to enhance visitor safety and operational efficiency	• Partially Achieved • Achieved • Achieved	• Cyber security strategy implemented • Car parking and ground transport improvements implemented • Business continuity technology improvements are implemented • CCTV upgrade completed	• Oct 2017 • Dec 2017 • Dec 2017 • July 2018	• Cyber strategy implemented including training, audits, penetration testing, establishment of three layers of on-site and off-site redundancy • Introduction of transport solutions such as time-saving Tap & Go technology in the terminal car parks and RFID cards for all commercial operators to make it easier to access the airport. • Car parking sensor technology installed across the terminal car parks to provide real-time information on the availability of public car spaces. • Launched a Chinese language version of the Queenstown Airport website to better communicate essential information with Chinese speaking visitors. • Launched BlipTrack, a new passenger movement tracking system,

Deloitte.
for Identification

ONE TEAM STRATEGY *Working together to deliver the best outcomes*					
Objectives	**Key initiatives**	**Status Key Initiatives**	**Performance targets**	**Timing**	**Work Completed**
					at Security Point, provides the average wait time for departing passengers. • Implementation of online engagement tool – Engagement HQ- to provide a platform for the community to engage 24/7 and more comprehensive analysis of engagement. • Upgrade of CCTV network

Deloitte.
for Identification

Objective: Achieve Statement of Intent Financial Forecasts

Year Ended 30 June 2018	Forecast 2018 $'000	Actual 2018 $'000	Variance 2018 $'000
Revenue	**43,663**	**45,668**	**2,005**
Operating Expenditure	15,001	14,041	(960)
EBITDA	28,662	31,627	2,965
Interest Expense	2,214	2,472	258
Depreciation & Amortisation	8,388	8,208	(180)
Profit Before Tax	18,060	20,947	2,887
Net Profit After Tax	**12,007**	**14,941**	**2,934**
Dividends Paid	6,610	7,169	559
Total Assets	357,573	356,167	(1,406)
Total Liabilities	101,212	81,257	(19,955)
Shareholders Funds	256,361	274,910	18,549
Operating Cash Flow	23,331	24,550	1,219
Capital Expenditure	41,257	24,347	(16,910)
Closing Debt	80,221	57,000	(23,221)

Deloitte.
for
Identification

Year Ended 30 June 2018	Forecast 2018 $'000	Actual 2018 $'000	Variance 2018 $'000
Total PAX (000's)	**2,001**	**2,141**	**140**
Percentage International PAX	28%	28%	
Revenue per PAX	$ 21.82	$ 21.33	-$ 0.49
NPAT per PAX	$ 6.00	$ 6.98	$ 0.98
Return on Equity (NPAT to Avg SH Funds)	4.9%	5.9%	
Return on Assets (NPAT to Avg Total Assets)	3.6%	4.5%	
EBITDA to Total Assets	8.0%	8.9%	
Gearing: Debt : EBITDA	2.8	1.8	
EBITDA > 2 times funding expense	10.5	12.8	
Shareholders Funds to Total Tangible Assets > 50%	71%	77%	

Assessment of Actual vs Forecast Financial Performance

The growth in revenue (5%) ahead of forecast has been driven by passenger movements (PAX) 7% ahead of forecast and improved commercial revenues from ground transport.

Operating expenditure was 6% lower than forecast due to strong cost management particularly in professional services and employee costs.

As a result EBITDA was 10% higher than forecast.

Interest costs were higher than forecast due to the establishment of new bank facilities. Depreciation, amortisation and tax was largely in line with forecast.

As a result, Net Profit after tax was 24% above forecast.

Dividends paid in the year of $7.2 million related to earnings from the previous financial year.

Operating cash flows were strong and ahead of forecast at $24.6 million driven by profit growth.

Deloitte.
for
Identification

Capital expenditure was down on forecast as a result of the timing of the apron overlay and BMU being pushed out. The major capital items for the year included the acquisition of leasehold land and improvements at Wanaka airport, acquisition of residential property and the construction of the Emergency Operations Centre.

Return on equity and assets were above forecast due to the positive profit performance and lower capital expenditure. Funding ratios were better than forecast and remained well within covenants.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

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

Opinion

We have audited:

- the financial statements of the company on pages 12 to 39, that comprise the statement of financial position as at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on pages 40 to 64.

In our opinion:

- the financial statements of the company on pages 12 to 39:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 40 to 64 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2018.

Our audit was completed on 21 August 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

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

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

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

Independence

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

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

B E Tomkins

Deloitte Limited

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