QUEENSTOWN airport

Queenstown Airport Corporation Limited

Disclosure Financial Statements for Financial Year Ended 30 June 2017

Contents

Directors Report

The Directors have pleasure in presenting the Disclosure Financial Statements of Queenstown Airport Corporation Limited (the Company) for the year ended 30 June 2017. These statements present the results of the Identified Airport Activities of the Company and additional information and have been prepared for the purposes of, and in accordance with, the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014.

1. Board of Directors

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

John W Gilks (Chairman)
James WP Hadley
Grant R Lilly
Michael P Stiassny
Norman J Thompson
Mark R Thomson (appointed 23 June 2017)

2. Principal Activities of the Company

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

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

For and on behalf of the Board

....	....	25/10/2017
Director	Director	Date

Income Statement

For the financial year ended 30 June 2017

	Notes	2017 $ 000's	2016 $ 000's
Income			
Revenue	3(a)	25,128	20,555
Other gains	3(b)	100	-
Total income		**25,228**	**20,555**
Expenditure			
Operating expenses	5	5,393	5,119
Employee benefits expense	3(c)	4,201	2,688
Total operating expenditure		**9,594**	**7,807**
Operating earnings before interest, taxation, depreciation and amortisation		**15,634**	**12,747**
Depreciation	3(d)	5,247	4,399
Amortisation		571	203
Operating earnings before interest and taxation		**9,816**	**8,145**
Finance costs	3(e)	2,894	2,427
Profit before income tax and subvention payment		**6,922**	**5,717**
Subvention payment	4(a)	215	-
Profit before income tax		**6,707**	**5,717**
Income tax expense	4(a)	1,563	4,811
Profit for the year		**5,144**	**906**

The accompanying notes form part of these financial statements.

Deloitte.
For
Identification

Statement of Comprehensive Income

For the financial year ended 30 June 2017

	Notes	2017 $ 000's	2016 $ 000's
Profit for the year		**5,144**	**906**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Gain/(loss) on cash flow hedging taken to reserves	14(c)	494	(864)
Realised gains/(losses) transferred to the income statement	14(c)	198	(20)
Income tax relating to gain/(loss) on cash flow hedging	14(c)	(118)	242
Items that may not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment	14(b), 2(o)	11,464	17,579
Income tax relating to gain on revaluation	14(b), 2(o)	(1,422)	(1,275)
Other comprehensive income for the year net of tax		**10,616**	**15,662**
Total comprehensive income for the year, net of taxation		**15,759**	**16,569**

The accompanying notes form part of these financial statements.

Deloitte.
For
Identification

Statement of Financial Position

As at 30 June 2017

	Notes	2017 $ 000's	2016 $ 000's
Current assets			
Cash and cash equivalents	18(a)	915	921
Trade and other receivables	6	2,862	2,228
Prepayments		127	124
Total current assets		**3,904**	**3,272**
Non-current assets			
Property, plant and equipment	8, 2(o)	164,053	146,751
Intangible assets	9	2,770	3,073
Derivatives	7	263	-
Total non-current assets		**167,086**	**149,824**
Total assets		**170,990**	**153,096**
Current liabilities			
Trade and other payables	10	3,502	3,150
Income in advance		1	1
Employee entitlements	11	696	319
Current tax payable		952	105
Total current liabilities		**5,152**	**3,576**
Non-current liabilities			
Borrowings (secured)	12, 2(o)	61,706	59,296
Derivatives	7	-	160
Deferred tax liabilities	4(c), 2(o)	11,134	10,039
Total non-current liabilities		**72,840**	**69,495**
Total liabilities		**77,992**	**73,071**
Net assets		**92,998**	**80,025**
Equity			
Share capital	13	18,892	18,892
Retained earnings	14(a)	6,815	4,458
Asset revaluation reserve	14(b), 2(o)	67,965	57,923
Cash flow hedge reserve	14(c)	(674)	(1,248)
Total equity		**92,998**	**80,025**

The accompanying notes form part of these financial statements.

Deloitte. For Identification

Statement of Changes in Equity

For the financial year ended 30 June 2017

	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	**18,892**	**57,923**	**(1,248)**	**4,458**	**80,025**
Profit for the year	-	-	-	5,144	5,144
Other comprehensive income	-	10,042	574	-	10,616
Total comprehensive income for the year	**-**	**10,042**	**574**	**5,144**	**15,759**
Reclassification to retained earnings	-	-	-	-	-
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(2,786)	(2,786)
At 30 June 2017	**18,892**	**67,965**	**(674)**	**6,815**	**92,998**

	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 2015	**18,892**	**41,743**	**(606)**	**5,721**	**65,749**
Profit for the year	-	-	-	906	906
Other comprehensive income	-	16,304	(642)	-	15,662
Total comprehensive income for the year	-	**16,304**	**(642)**	**906**	**16,568**
Reclassification to retained earnings	-	(124)	-	124	-
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(2,293)	(2,293)
At 30 June 2016	**18,892**	**57,923**	**(1,248)**	**4,458**	**80,025**

The accompanying notes form part of these financial statements.

Deloitte. For Identification

Cash Flow Statement

For the financial year ended 30 June 2017

	Notes	2017 $ 000's	2016 $ 000's
Cash flows from operating activities			
Receipts from customers		24,554	19,885
Interest received		24	-
Payments to suppliers and employees		(9,441)	(7,197)
Interest paid		(2,583)	(2,662)
Subvention payment made		(215)	-
Income tax paid (net)		(1,239)	(1,710)
Net cash inflow from operating activities	18(b)	**11,101**	**8,316**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5	4
Purchase of property, plant and equipment		(8,444)	(18,233)
Purchase of intangible assets		(270)	(762)
Net cash (outflow) from investing activities		**(8,709)**	**(18,991)**
Cash flows from financing activities			
Net proceeds from borrowings/(repayments)		388	13,618
Dividends paid to equity holders of the parent		(2,786)	(2,293)
Net cash inflow/(outflow) from financing activities		**(2,398)**	**11,325**
Net increase/(decrease) in cash and cash equivalents		**(6)**	**650**
Cash and cash equivalents at the beginning of the financial year		**921**	**271**
Cash and cash equivalents at the end of the financial year	18(a)	**915**	**921**

The accompanying notes form part of these financial statements.

Deloitte.
For
Identification

Notes to the Disclosure Financial Statements

For the financial year ended 30 June 2017

1. General Information

Queenstown Airport Corporation Limited (the Company) owns and operates Queenstown Airport. The Company is owned 75.01% by Queenstown Lakes District Council and 24.99% by Auckland Airport Holdings (No. 2) Ltd.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 1, Terminal Building, Queenstown Airport, Sir Henry Wigley Drive, Queenstown, New Zealand.

These financial statements have been approved for issue by the Board of Directors on 25 October 2017. The Company's owners do not have the power to amend these financial statements once issued.

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

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

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

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

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

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

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

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

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

but does not include the provision of any space for retail activities.

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

Deloitte.
For Identification

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

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

2. Summary of Accounting Policies

Reporting Entity

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

The Company is a profit oriented company incorporated and domiciled in New Zealand. Its principal activity is the operation of a commercial airport in Queenstown, New Zealand.

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 2013, the Companies Act 1993, the Airport Authorities Act 1966, the Airport Authorities (Airport Companies Information Disclosures) Regulations 1999 (as amended in 2014) 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.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

(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.

Deloitte.
For
Identification

The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and is not a large for-profit public sector entity. The Company has elected to apply NZ IFRS (RDR) 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 are recognised in the accounting period in which the actual service is provided to the customer.

(ii) Rental Income

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

(iii) Interest Revenue

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

(iv) Sale of Property, Plant and Equipment

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

(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

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

Deloitte. For Identification

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.

(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.

Deloitte.
For
Identification

(h) Property, Plant and Equipment

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

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

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

Land, land improvements, buildings, roading, and 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 runways acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Revaluations

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

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

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

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

Fair Value

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. These valuation approaches have been applied as follows:

Asset	Valuation Approach
Land	Market Value
Runways, Taxiways & Aprons	Optimised Depreciated Replacement Cost
Terminal (including noise mitigation works) and Rescue Fire Buildings	Optimised Depreciated Replacement Cost
Roading	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
Buildings	2.5-33.0%	DV or SL
Runways, Taxiways & Aprons	1.0-20.0%	SL
Plant & Equipment	4.8-50.0%	DV

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

Disposal

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

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

Capitalisation of costs

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

(i) Intangible Assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over the assessed estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each 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.

Deloitte. For Identification

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 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 7.

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

(iv) Hedge Accounting

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

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

Note 7 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.

(m) Segment reporting

For the purposes of reporting in accordance with NZ IFRS 8: *Operating Segments*, section 8(3) of the Airport Companies Information Disclosure Regulations 1999, as amended in 2014, prescribe the industry segments as airfield activities, aircraft and freight activities (notwithstanding that the Company has no material activities in this segment) and specified terminal passenger activities. These do not necessarily meet the definition of "operating segments" per NZ IFRS 8 itself, but have been treated as operating segments to meet the requirements of the Airport Companies Information Disclosure Regulations 1999, as amended 2014, and the Airport Authorities Act 1966.

(n) Change in Accounting Estimate

In prior years, work undertaken to plan for and assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise zones totalling $0.36 million was recognised as an intangible asset, and amortised over its useful life. To reflect that this noise mitigation work enables the Company to derive future economic benefits from the property, plant and equipment held by it, these costs will be recognised as part of buildings within the property, plant and equipment of the Company (note 8). This will be depreciated over its estimated useful life. There is no change in total assets, liabilities or equity in the current or future years resulting from this change. For the purposes of financial reporting, the estimated useful life is assumed to end in June 2023.

(o) Significant Accounting, Judgements, Estimations and Assumptions

In producing the financial statements the Company makes judgements, estimates and assumptions based on known facts, at a point in time. These accounting judgements, estimates and assumptions will rarely exactly match the actual outcome. The judgements that have the most significant effect on the amounts recognised, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year are as follows:

(i) Property

The Company is currently involved in legal proceedings associated with the acquisition of land adjacent to the airport, referred to as 'Lot 6', to allow for a new aeronautical precinct and to free up land for terminal expansion. To date, costs of approximately $3.9 million have been capitalised by the Company. However, if the decision is unfavourable for the Company, then all costs may need to be expensed. The Company is confident that the Lot 6 will be acquired as planned.

(ii) Property, Plant and Equipment

The Company has engaged independent valuers to value Property, Plant and Equipment held at fair value and adopted those valuations totalling $152.6 million (refer note 8) at balance date, consistent with the revaluation policy set out in note (h) above.

(iii) Intangible Assets

The Company holds as intangible assets, the cost of obtaining the existing noise boundary - PC 35. The amortisation of these costs is spread on a systematic basis over its expected useful life, which is reviewed at each reporting date. The useful life is driven by a range of factors such as aircraft movements, aircraft type and timing of flights and is therefore uncertain. For the purposes of financial reporting, the estimated useful life is assumed to end in June 2023.

Deloitte. For Identification

(iv) Allocation Methodologies

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

In the year ending 30 June 2017, property, plant and equipment relating to carparking and airport access roads have been reviewed and reallocated between Identified Airport Activities and other commercial activities in accordance with the methodology used to determine the price charged for Airfield and Aero-terminal activities. Where indicated, the assets, liabilities and equity in the Statement of Financial Position have been restated to reflect this change in allocation. There is no material impact on the Income Statement resulting from this change.

	2016 $000's	Change $000's	Restated 2016 $000's
Statement of Comprehensive Income			
Gain on revaluation of property, plant and equipment	20,812	(3,233)	17,579
Income tax relating to gain on revaluation	(2,180)	905	(1,275)
Statement of Financial Position			
Property, plant and equipment	152,076	(5,325)	146,751
Borrowings (secured) - internal debt from commercial activities	61,389	(2,093)	59,296
Deferred tax liabilities	10,944	(905)	10,039
Asset revaluation reserve	60,251	(2,328)	57,923

The allocation methodologies used in the disclosure financial statements are summarised in note 23 of the additional information required by the disclosure regulations set out in the Act.

3. Surplus from Operations

(a) Revenue

	2017 $ 000's	2016 $ 000's
Revenue consisted of the following items:		
Revenue from rendering of services:		
Passenger / landing charges	23,821	20,012
Licenses, leases & aircraft parking	1,272	543
Total revenue from rendering of services	25,093	20,555
Interest revenue	35	-
Total Revenue	**25,128**	**20,555**

(b) Other Gains

	2017 $ 000's	2016 $ 000's
Gain on disposal of property, plant and equipment	5	-
Net foreign currency exchange gains	95	-
Total Other Gains	**100**	**-**

(c) Employee Benefits Expense

	2017 $ 000's	2016 $ 000's
Salaries and wages	4,063	2,550
Directors fees	138	138
Total Employee Benefits Expense	**4,201**	**2,688**

(d) Depreciation

	2017 $ 000's	2016 $ 000's
Buildings	1,999	1,848
Runways, Taxiways & Aprons	1,834	1,138
Plant & Equipment	1,414	1,413
Total Depreciation	**5,247**	**4,399**

(e) Finance Costs

	2017 $ 000's	2016 $ 000's
Interest on borrowings	2,894	2,427
Total Finance Costs	**2,894**	**2,427**

Deloitte.
For
Identification

4. INCOME TAXES

	2017 $ 000's	2016 $ 000's
(a) Tax expense/(income) comprises:		
Current tax expense/(credit):		
Current year	2,355	1,689
Adjustments for prior years	(54)	176
Subvention payment	(215)	-
	2,086	**1,865**
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(455)	2,894
Adjustment for prior year	27	52
Amortisation of tax component of derivatives	(95)	-
	(523)	**2,946**
Total tax expense	**1,563**	**4,811**

During the year ending 30 June 2017, a subvention payment of $554,541 was made for the whole 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 are recognised in current year's tax expense as 'Subvention payment. Of this, $214,781 has been recognised as relating to the Identified Airport Activities.

During the year ending 30 June 2016, the deferred tax expense included the recognition of a $2.6 million deferred tax liability in relation to the depreciation of Runway Safety Area East.

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

Surplus before income tax	**6,707**	**5,717**
Income tax expense calculated at 28%	1,878	1,601
Permanent differences	82	8
Creation/reversal of temporary differences	-	2,639
Other deferred tax reconciling items	(120)	336
Adjustment for prior years	(27)	228
Subvention payment	(155)	-
Amortisation of tax component of derivatives	(95)	(6)
Income tax expense	**1,563**	**4,811**

(b) Income Tax Recognised Directly In Other Comprehensive Income

Deferred tax of $0.64 million (2016: $1.94 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.

Deloitte. For Identification

(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

2017	Opening balance $ 000's	Charged to profit for the year $ 000's	Charged to other comprehensive income $ 000's	Transferred to provision for Tax $ 000's	Closing balance $ 000's
Gross deferred tax assets/(liability):					
Property, plant and equipment	(9,442)	421	(1,422)	-	(10,443)
Intangible assets	(756)	132	-	-	(625)
Employee benefits	55	34	-	-	89
Derivatives	44	-	(118)	-	(74)
Trade and other payables	61	(142)	-	-	(81)
	(10,039)	**445**	**(1,540)**	**-**	**(11,134)**

During the year ending 30 June 2016, a movement in deferred tax on derivatives of $578,000 occurred relating to losses on interest rate swaps closed out during that financial year (refer Note 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 2017, $94,810 was recognised as a reduction in tax expense (refer Note 3(a)).

2016	Opening balance $ 000's	Charged to profit for the year $ 000's	Charged to other comprehensive income $ 000's	Transferred to provision for Tax $ 000's	Closing balance $ 000's
Gross deferred tax assets/(liability):					
Property, plant and equipment	(5,339)	(2,828)	(1,275)	-	(9,442)
Intangible assets	(631)	(126)	-	-	(756)
Employee benefits	35	20	-	-	55
Derivatives	381	-	242	(578)	44
Trade and other payables	73	(12)	-	-	61
	(5,481)	**(2,946)**	**(1,033)**	**(578)**	**(10,039)**

2016 balances have been restated in accordance with note 2(o).

(d) Imputation Credit Account Balances (Whole Company)

	2017 $ 000's	2016 $ 000's
Balance at beginning of year	12,147	10,213
Income tax paid	5,270	3,934
Tax credits relating to dividend payment	(2,436)	(2,005)
Refund of tax	(638)	-
Adjustment to prior year	-	-
		-
Balance at end of year	**14,343**	**12,147**

Deloitte For Identification

	2017 $ 000's	2016 $ 000's
5. Operating Expenses		
Total Operating Expenses	**5,393**	**5,119**

Operating expenses include the following:

Audit fees (whole company) - disclosure financial statements	25	39
Audit fees (whole company) - financial statement audit	65	46
Loss on disposal of fixed assets	-	170

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

6. Trade & Other Receivables

Trade and other receivables	2,862	2,228
Total Trade & Other Receivables	**2,862**	**2,228**

7. Derivatives

Derivative financial assets/(liabilities);

Interest rate swap (i) (effective)	239	(160)
Foreign exchange forward contracts (effective)	24	-
	263	**(160)**

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 48% of the principal outstanding. The fixed interest rates range between 2.3450% and 2.6225% (2016: 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 2017, the interest expense of $339,000 and tax benefit of $94,810 was recognised. (refer Note 4(a))

During the year 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 over the next three years.

Deloitte. For Identification

8. Property, Plant and Equipment

2017	Cost/ Valuation $000	Accumulated Depreciation $000	Net Book Value $000
Land	68,949	-	68,949
Buildings	38,211	(1,999)	36,212
Runways, Taxiways & Aprons	49,289	(1,834)	47,455
Plant & Equipment	19,173	(7,736)	11,437
	175,621	**(11,569)**	**164,053**

2016	Cost/ Valuation $000	Accumulated Depreciation $000	Net Book Value $000
Land	55,550	-	55,550
Buildings	39,538	(2,822)	36,716
Runways, Taxiways & Aprons	47,084	(2,160)	44,925
Plant & Equipment	16,359	(6,797)	9,562
	158,531	**(11,779)**	**146,751**

The carrying value of the asset categories above includes work in progress. Buildings includes noise mitigation works. Plant & equipment includes plant & equipment, vehicles, roading, and fixtures & fittings. 2016 balances have been restated in accordance with note 2(o).

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

Land, buildings, and roading were independently valued by Seagar & Partners, registered valuers, as at 30 June 2017. The runways, taxiways and aprons were independently valued by Beca Valuations Limited (Beca), registered valuers, as at the same date. The fair value of these assets as at 30 June 2017 was $152.6 million being an increase of $11.5 million.

The assets were categorised into two asset groups for valuation purposes: Aeronautical and Non-Aeronautical. The valuation assessment of the Aeronautical and Non-Aeronautical assets has been undertaken in accordance with NZ IAS-16 and therefore assets have been recorded at their 'Fair Value'. The following methods of valuation were applied in order to determine the fair value:

- Direct Comparison
- Investment
- Optimised Depreciated Replacement Cost

To the extent that the assets' fair values were able to be determined directly by reference to observable prices in an active market, the value of those assets can be determined on the basis of 'Market Value'.

Deloitte.
For Identification

9. Intangible Assets

	2017 $ 000's	2016 $ 000's
Cost		
Opening balance	3,538	2,776
Transfer to property, plant and equipment	(384)	-
Additions from internal developments	637	762
Total cost closing balance	**3,791**	**3,538**
Accumulated amortisation		
Opening balance	465	262
Transfer for property, plant and equipment	(15)	-
Amortisation expense	571	203
Total accumulated amortisation	**1,021**	**465**
Total Carrying Value of Intangible Assets	**2,770**	**3,073**

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

Noise boundaries	6 to 9 years
Flight fans	15 years
Evening flights safety cases	1 to 2 years.

During the year, planning costs for identified Airport Activities were incurred totalling $537,485. As this work was in progress at 30 June 2017, the costs were not amortised. Work undertaken to plan for and assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise zones has been transferred as an addition to property, plant and equipment (note 8) to reflect that this work enables the Company to derive future economic benefits from those assets.

10. Trade & Other Payables

Trade payables	1,020	1,254
Other creditors and accruals	2,482	1,896
Total Trade and Other Payables	**3,502**	**3,150**

11. Employee Entitlements

Accrued salary and wages	387	121
Annual leave	309	198
Total Employee Entitlements	**696**	**319**

12. Borrowings

Westpac Bank borrowings (secured) (iii)	20,000	20,000
BNZ borrowings (secured) (iii)	27,000	19,010
Internal debt from commercial activities (i), (ii) (note 2(o))	14,706	20,286
	61,706	**59,296**

Deloitte.
For
Identification

	2017 $ 000's	2016 $ 000's
Disclosed in the financial statements as:		
Current	-	-
Non-current	61,706	59,296
Total Current and Non-Current Borrowings	**61,706**	**59,296**

	Statutory Financials 2017 $000's	Disclosure Financials 2017 $000's
Finance costs (ii)	1,951	2,894
Borrowings (i), (ii), (iii)		
Current	-	-
Non-current	47,000	61,706
	47,000	**61,706**

(i) Under the methodology applied in preparing these disclosure financial statements debt becomes the balancing figure in the disclosure financials and is therefore impacted by the profitability and capital expenditure of each specified activity.

(ii) Auckland Airport Holdings (No.2) Limited has been issued shares in the whole company, a proportion of which has been included within these disclosure financial statements. The result of this allocation is that specified airport activities reflected in these financial statements have a higher allocation of debt than the position for the whole company, with internal debt of $14.727 million (2016: $22.379 million) from the commercial activities. This impacts the finance costs reflected in these disclosure financial statements. The finance costs recognised within the disclosure financial statements have been calculated using the weighted average interest rate of 3.8% (2016: 4.9%) applied to the allocated debt.

(iii) The Company has a secured facility with BNZ of $30 million and a secured facility with Westpac of $20 million, expiring on 23 May 2020 and we have further secured facilities with BNZ of $30 million and Westpac of $20 million expiring on 31 July 2021. The BNZ and Westpac 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 2017 was 3.8%. (2016: 4.9%)

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

13. Share Capital

Fully Paid Ordinary Shares	2017 No. 000's	2016 No. 000's	2017 $ 000's	2016 $ 000's
Balance at beginning of year	7,142	7,142	18,892	18,892
Balance at End of Year	**7,142**	**7,142**	**18,892**	**18,892**

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

14. Retained Earnings and Reserves

	2017 $ 000's	2016 $ 000's
(a) Retained Earnings		
Balance at the beginning of the year	4,458	5,721
Profit for the year after taxation	5,144	906
Reclassification in retained earnings	-	124
Dividends paid during the year (i)	(2,786)	(2,293)
Balance at End of Year	**6,815**	**4,458**

(i) Dividends Paid

Final Dividend	2,341	1,848
Interim Dividend	445	445
Total Dividend Paid	**2,786**	**2,293**

On 19th August 2016 a final dividend of 32.78 cents per share (total dividend For Whole Company of $5,264,124 based on total share holdings of 16,060,365) for the year ending 30 June 2016 was paid to holders of fully paid ordinary shares.

On 20th February 2017 an interim dividend of 6.23 cents per share (total dividend For Whole Company of $1,000,000 based on total share holdings of 16,060,365) for the year ending 30 June 2017 was paid to holders of fully paid ordinary shares.

(b) Asset Revaluation Reserve

Balance at the beginning of the year	57,923	41,743
Change in revaluation of assets	11,464	17,579
Deferred tax movement on change in revaluation	(1,422)	(1,275)
Reclassification in retained earnings	-	(124)
Balance at End of Year	**67,965**	**57,923**

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. 2016 balances have been restated in accordance with note 2(o).

(c) Cash Flow Hedge Reserve

Balance at the beginning of the year	(1,248)	(606)
Gain/(loss) recognised on interest rate swaps	470	(864)
Gain recognised on forward exchange contracts	24	-
Realised losses/(gains) transferred to the income statement	198	(20)
Income tax relating to gain/(loss) on cash flow hedging	(118)	242
Balance at End of Year	**(674)**	**(1,248)**

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 underlying hedged transaction impacts the profit and loss, when the hedge relationship is discontinued or is included as a basis adjustment to the non-financial hedged item, consistent with applicable accounting treatment (refer note 7).

Deloitte. For Identification

15. Commitments for Expenditure (For Whole Company)

	2017 $ 000's	2016 $ 000's
(a) Capital Expenditure Commitments		
Acquisition of property, plant and equipment	754	1,011
Noise mitigation packages	594	630
Committed for Acquisition of Property, Plant and Equipment	**1,348**	**1,641**

The commitment for noise mitigation packages as at 30 June 2017 was lower than the prior year due to works undertaken during the year, variation in forecast costs and the exclusion of houses owned by the Company. This was offset by new commitments for offers accepted during the financial year and revision of cost estimates.

16. Operating Lease Arrangements (For Whole Company)

(a) Company as Lessee; Operating Lease Commitments

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

Non-cancellable operating lease payments:		
Not longer than 1 year	39	21
Longer than 1 year and not longer than 5 years	60	55
Total Company as Lessee; Operating Lease Commitments	**99**	**76**

(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 2017, 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.

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:

Less than 12 months	9,123	6,958
1-5 years	16,399	16,303
5 years +	5,095	3,857
Total Company as Lessor, Operating Lease Rental	**30,617**	**27,118**

17. Related Party Disclosures (For Whole Company)

(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.

Deloitte.
For
Identification

(b) Transactions with Related Parties

Related parties of the Company are:

- Queenstown Lakes District Council (QLDC) – Shareholder
- Auckland International Airport Limited (AIAL) - Shareholder
- 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
- N J Thompson – Committee member, BMW NZ Golf Open
- M R Thomson – Shareholder representative, Auckland International Airport Limited (AIAL)

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

	2017 $ 000's	2016 $ 000's
Queenstown Lakes District Council		
Rates	(332)	(295)
Resource and building consent costs & collection fees	(22)	(4)
Development contributions	(408)	(279)
Payment for construction works	(549)	-
Other	(8)	(5)
Subvention payment	(555)	-
Rent – NASA Lease	(24)	-
Wanaka Airport management fee	230	159

The transactions above include amounts payable to QLDC as at 30 June 2017.

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 (2016: $25,000).

	2017 $ 000's	2016 $ 000's
Auckland International Airport Limited		
Rescue fire training	(50)	(14)
Purchase of fire appliance	-	(110)

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

	2017 $ 000's	2016 $ 000's
Hadley Consultants Limited		
Consultant engineering services	(2)	-
Warbirds Over Wanaka Community Trust		
Contributions towards entrance display	-	(1)
Civil Aviation of New Zealand		
CAA certification audit fees	(9)	(12)
Aviation Security Service		
Airport security cards	(7)	(5)
Rental, power recovery and parking revenue	194	167
ISPS Handa NZ Golf Open		
Sponsorship	(10)	(15)

Deloitte. For Identification

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

	2017 $ 000's	2016 $ 000's
Aviation Security Service		
Rental, Power recovery and parking revenue	3	4

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

Queenstown Lakes District Council	(957)	(3)
Auckland International Airport Limited	(10)	-
Civil Aviation Authority	-	(4)
Aviation Security Services	(1)	-

18. 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 for Identified Airport Activities of $490,749 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	15	35
Bank account/(overdraft)	900	886
Total cash and cash equivalents	**915**	**921**

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

Profit for the year	**5,144**	**906**
Add/(less) non-cash items:		
Amortisation	571	203
Depreciation	5,247	4,399
Gain on sale of Property, Plant & Equipment	(5)	-
Loss on sale of Property, Plant & Equipment	-	170
Other	198	(18)
	6,011	**4,754**
Changes in assets and liabilities:		
Increase in trade and other receivables	(634)	(670)
Increase in prepayments	(3)	(31)
Increase/(decrease) in current tax payable	847	(430)
Increase in trade and other payables	352	83
Increase in employee entitlements	377	81
Decrease in deferred tax liability	(445)	3,523
Movement in items reclassified as investing and financing activities	(548)	100
	(54)	**2,656**
Net Cash Inflow from Operating Activities	**11,101**	**8,316**

Deloitte.
For Identification

19. Financial Instruments

(a) Capital Risk Management

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

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

(b) Interest Rate Risk Management

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

Interest rate swaps in place cover approximately 48% of the principal outstanding. 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.

(c) Forward Foreign Exchange Contracts

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. At 30 June 2017 the aggregate amount of gains under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to highly probable future revenues is $17,000 (2016: nil). It is anticipated that the lease payments received over the next 32 months, will match the timing and amount of each forward foreign exchange contract.

(d) Fair Value Measurements

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 the Income Statement 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.

20. Contingent Liabilities

(a) Noise Mitigation

The Company is implementing plans to assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise zones. The focus for FY17 was to agree customised noise mitigation packages for these homes and works have commenced on several of the houses. As at 30 June 2017, we have made 11 offers to homeowners, of which seven have been accepted. The cost of delivering the seven accepted offers is estimated at $594k which has been disclosed as a capital commitment in Note 15. We have also been finalising the mechanical ventilation package specifications for the 'Mid Noise Sector' houses and will begin a consultation process with homeowners over the next 12 months.

Noise levels are monitored regularly and as the noise zones expand, further offers will be made. The Company estimates approximately 180 properties will be offered noise mitigation 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 work.

Deloitte.
For
Identification

21. Subsequent Events (Whole Company)

The Directors resolved on 22 August 2017 that the final dividend (For Whole Company) for the year ended 30 June 2017 be $6,169,007. There were no other significant events after balance date.

22. Segment Information

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

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

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

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

The Company's top two customers represent 81% (2016: 82%) of revenue from substantial customers. This equates to $18,358,111 (2016: $15,288,901).

The next two largest customers represent 19% (2016: 18%) of revenue from substantial customers. This equates to $4,220,789 (2016: $3,446,147).

Deloitte. For Identification

22. Segment Information (cont.)

At 30 June 2017	Specified Terminal $000	Airfield $000	Total $000
External revenue			
Airport charges	10,364	13,457	23,821
Licences & aircraft parking	377	895	1,272
Interest revenue	16	19	35
Other gains	5	95	100
Total revenue	10,762	14,466	25,228
Expenses			
Operating expenses	2,546	2,127	4,673
Administration	57	200	257
Repairs & maintenance	288	175	463
Employee benefits expense	1,584	2,617	4,201
Depreciation expense	2,984	2,263	5,247
Amortisation	-	571	571
Finance costs	1,284	1,610	2,894
Total expenses	8,743	9,563	18,306
Segment profit before income tax	**2,019**	**4,903**	**6,922**
Subvention payment			215
Income tax expense			1,563
Profit for the year			**5,144**
Segment total assets	**75,873**	**95,117**	**170,990**
Additions of property, plant & equipment, included in segment assets	3,940	7,707	11,647
Average number of full-time staff equivalents	20	23	43

There are no significant inter-segment transactions.

Deloitte.
For Identification

22. Segment Information (cont.)

At 30 June 2016	Specified Terminal $000	Airfield $000	Total $000
External revenue			
Airport charges	9,838	10,174	20,012
Licences, leases & aircraft parking	115	428	543
Total revenue	9,953	10,602	20,555
Expenses			
Operating expenses	1,842	2,482	4,324
Administration	65	171	236
Repairs & maintenance	163	396	559
Employee benefits expense	1,122	1,567	2,688
Depreciation expense	2,696	1,703	4,399
Amortisation	-	203	203
Finance costs	1,095	1,332	2,427
Total expenses	6,983	7,855	14,837
Segment profit before income tax	**2,970**	**2,747**	**5,717**
Income tax expense			4,811
Profit for the year			**906**
Segment total assets	**69,009**	**84,088**	**153,097**
Additions of property, plant & equipment, included in segment assets	450	16,425	16,876
Average number of full-time staff equivalents	12	15	27

There are no significant inter-segment transactions.

Deloitte. For Identification

23. Allocation Methodology used in the preparation of these statements

(a) Revenue Categories

Revenue falls into one of the following categories:

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

(b) Expenditure Categories and Allocation

Expenditure falls into one of the following categories:

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

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

(c) Allocation of Assets

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

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

Deloitte.
For
Identification

(d) Allocation of Debt

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

(e) Allocation of Equity

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

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

24. Weighted Average Cost of Capital

The Company has estimated the prospective weighted average cost of capital (WACC) for its identified airport activities as at 1 July 2016, being the commencement of the current disclosure period.

The Company has applied a post-tax WACC model. The post investor tax version of the capital asset pricing model (CAPM) has been used to estimate the appropriate cost of equity capital. The debt premium has been based on the estimated margin over the 10-year Government bond yields. The yield, and therefore the cost of debt, reflects the market conditions as at 1 July 2016. This is consistent with the approach used by the Company in aeronautical pricing.

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

	2017	**2016**
	Parameter	**Parameter**
Risk free rate – 10 year Government Stock	2.59%	3.72%
Market risk premium	7.50%	7.50%
Company tax rate	28.0%	28.0%
Debt / (Debt + Equity)	25.0%	25.0%
Debt premium	2.14%	1.75%
Business risk factor (asset beta)	0.65	0.65
Calculated WACC	**7.14%**	**7.89%**

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

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

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

Where

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

Deloitte. For Identification

25. Methodology Used to Determine Airport Charges

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

The determination setting the charges included the following key attributes:

- A long run marginal cost model (the Model) was developed in 2012 in consultation with the Company's Substantial Customers in accordance with Section 4B of the Airport Authorities Act 1966.
- The Model derives breakeven Base Aeronautical Charges for turboprop, domestic jet and international jet operations based on the Company's WACC.
- Base Aeronautical Charges fund Identified Airport Activities existing on 1 July 2012 with the exception of those activities relating to General Aviation that are funded by their own charges.
- Substantial capital expenditure that may occur during the period covered by the Model will be subject to Development Asset Charges derived by a mechanism consulted upon during the review.
- The Model is intended to persist for nine years from 1 July 2012.
- A formal review of the Model was carried out as at 1 September 2015, this review is primarily to update the base charge and the development asset charges for differences between forecast and actual levels of passenger numbers and movements in various WACC parameters. The base charge will be reviewed again in 2018.
- In addition to the three yearly review, an annual reset is performed which updates the Development Asset (DA) Charges (capex and incremental opex). The reset involves updating passenger number forecasts, the movements in WACC parameters, actual and forecasted capital spend and any incremental opex associated with the asset. This reset has no impact on the base charge.
- Growth incentive rebates are available to airlines who contribute to better than forecast growth in classes of passenger volumes.

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

25. Schedule of Airport Charges

(a) Regular Air Transport Operations

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

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

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

(c) Landing Charge – General Aviation

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

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

(d) Landing Charge – Helicopters

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

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

(e) Aircraft Parking Charge

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

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

No aircraft parking charge is payable for an aircraft that arrives after 1500 (NZ) and departs before 1000 (NZ) the following day.

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

(f) Passenger Charges Regular Air Transport Operations for the period ending 30 June 2017

(i) Passenger Charge – International Jet Services

A charge of $20.10 (excluding GST) per embarking and disembarking passenger (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service. (2016: $19.93)

(ii) Passenger Charge – Domestic Jet Services

A charge of $9.41 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service. (2016: $8.34)

(iii) Passenger Charge – Domestic Turboprop Services

A charge of $8.23 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service. (2016: $7.71)

26. Baggage Make Up Charges

A charge of $0.49 per departing passenger in 2017 (2016: $0.66) is payable for use of Queenstown Airport's Baggage Make Up facility.

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

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

Where:

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

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

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

27. Landing Statistics

(a) Scheduled Domestic Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2017	Year to 30 June 2016
0 to 20,000	DH8C	-	-
20,001 – 26,000	ATR72	677	1,524
26,001 – 56,000		-	-
56,001 – 71,000	B737-300	-	-
71,001 and greater	A320 B737-800	4,528	3,468

Deloitte.
For Identification

(b) Scheduled International Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2017	Year to 30 June 2016
0 – 71,000		-	-
71,001 and greater	A320 B737-800	1,240 832	1,147 668

(c) Other Landings

Aircraft MCTOW (kg)		Year to 30 June 2017	Year to 30 June 2016
All weights		20,379	18,117

(d) Passengers

Class of Passenger	Year to 30 June 2017	Year to 30 June 2016
Passengers arriving and departing on domestic flights	1,360,158	1,176,330
Passengers arriving and departing on international flights	532,285	474,779

28. Interruptions to Services

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

(a) Planned Disruptions

Service	Number of Events		Total Duration (nearest 15mins)	
	Year to 30 June 2017	Year to 30 June 2016	Year to 30 June 2017	Year to 30 June 2016
Runway Services	-	-	-	-
Stand Position Services	-	-	-	-
Airbridge Services	-	-	-	-
Baggage Handling Services	-	-	-	-

(b) Un-planned Disruptions

Service	Number of Events		Total Duration (nearest 15mins)	
	Year to 30 June 2017	Year to 30 June 2016	Year to 30 June 2017	Year to 30 June 2016
Runway Services	-	-	-	-
Stand Position Services	-	-	-	-
Airbridge Services	-	-	-	-
Baggage Handling Services	-	-	-	-

Deloitte.

INDEPENDENT ASSURANCE REPORT

TO THE DIRECTORS OF QUEENSTOWN AIRPORT CORPORATION LIMITED

IN RESPECT OF QUEENSTOWN AIRPORT CORPORATION LIMITED'S DISCLOSURE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of Queenstown Airport Corporation Limited (the company) pursuant to the Public Audit Act 2001. The company is required to prepare financial statements and performance information under the Local Government Act 2002. The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and the performance information of the company.

The company is also required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) to prepare disclosure financial statements in respect of the company's identified airport activities as defined in note 1 which comprise:

- financial statements prepared in accordance with generally accepted accounting practice (subject to the requirement in the Regulations to only include identified airport activities, and not other activities of the company); and
- additional information as specified in section 9 and Schedule 2 of the Regulations (collectively the 'disclosure financial statements').

The financial statements (including notes 1 to 21) are included on pages 3 to 30, and the additional information is included in notes 22 to 28 on pages 30 – 38.

On behalf of the Auditor-General, I have also carried out this Independent Assurance Engagement, using the staff and resources of Deloitte Limited, to provide a conclusion, on his behalf, on the company's disclosure financial statements for the year ended 30 June 2017.

Unqualified Conclusion

It is our conclusion that, the disclosure financial statements of the company on pages 3 to 38:

- the disclosure financial statements on pages 3 to 38 comply, in all material respects, with the guidelines issued under the Regulations; and

- the financial statements on pages 3 to 30, comply, subject to the Regulations and in all material respects, with generally accepted accounting practice in New Zealand.

Our work was completed on 25 October 2017. This is the date at which our conclusion is expressed.

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

Limitations and use of this report

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

The disclosure financial statements provide financial statements for the company's identified airport activities, which are a component of the annual financial statements that we have previously audited, as well as additional information required by the Regulations. Other than as expressly stated below, we have not undertaken any additional audit work on the financial statements after signing our statutory audit report on the company's financial statements on 22 August 2017.

We have explained the scope of our audit engagement in relation to the annual financial statements in our audit report on the company's annual financial statements and performance information for the year ended 30 June 2017.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance might occur and not be detected. Our conclusion has been formed on the above basis.

Responsibilities of the Board of Directors

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

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

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

Our responsibilities

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

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

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

The financial statements on pages 3 to 30 are an extract from the underlying accounting records of the company, as the identified airport activities are a component of the audited annual financial statements of the company. Our work was limited to:

- Obtaining an understanding of the company's identification of identified airport activities in accordance with the Regulations, and the allocation methodology used by the company to allocate shared expenditure, assets, debt and equity balances as described in note 1.
- Performing procedures on a test basis on the allocation of shared expenditure, assets, debt and equity balances.
- Agreeing the amounts and disclosures to the company's underlying records, and to the audited annual financial statements of the company, where appropriate. We carried out our audit of the company's annual financial statements for the year ended 30 June 2017 and we issued an unmodified opinion on the annual financial statements on 22 August 2017.

We also performed procedures to obtain evidence about the amounts and disclosures in the additional information provided in notes 22 to 28. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the additional information, whether due to fraud or error or non-compliance with the Regulations.

Deloitte.

In making those risk assessments, we considered internal control relevant to the company's preparation of the additional Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

Independence and quality control

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

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

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

Other than this engagement carried out under the Regulations, and our audit of the company's annual financial statements and performance information, we have no relationship with or interests in the company.

Deloitte Limited

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