Queenstown Airport Corporation Limited

Annual Report

for the year ended
30 June 2021

Contents

Directory

Board of Directors

Adrienne F Young-Cooper
Simon R Flood
Mark R Thomson
Anne J Urlwin (appointed 30 October 2020)
Andrew Blair (appointed 30 October 2020)
Michael Q M Tod (appointed 30 October 2020)
Michael P Stiassny (resigned 30 October 2020)
Norman J Thompson (resigned 30 October 2020)

Managing Director

Simon R Flood

Auditors

M Hawken of Deloitte Limited
(on behalf of the Auditor General)
PO Box 1245
Dunedin

Bankers

BNZ
Queenstown Store
11 Rees Street
Queenstown

Westpac
Terrace Junction
1092 Frankton Road
Queenstown

ASB
ASB House, Level 2 166 Cashel Street
Christchurch

Bank of China
Level 17
205 Queen Street
Auckland

Annual Report

Your directors are pleased to submit the Annual Report together with the financial statements of Queenstown Airport Corporation Limited (the Company) for the year ended 30 June 2021.

1 Financial Statements

The financial statements of the Company for the year ended 30 June 2021 follow this report.

2 Principal Activities of the Company

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

While there has been no material changes in the business that the Company is engaged in, during the period the COVID-19 global pandemic continued to create inherent uncertainty around the forecast levels of international air travel and its potential to impact domestic travel should there be a similar outbreak in New Zealand. Notwithstanding the significant impact of COVID-19 the fundamentals of the business remain strong.

Details of the year under review and future outlook are included in the Chair and Managing Directors Report.

3 Board of Directors

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

Adrienne F Young-Cooper
Simon R Flood
Mark R Thomson
Anne J Urlwin (appointed 30 October 2020)
Andrew Blair (appointed 30 October 2020)
Michael QM Tod (appointed 30 October 2020)
Michael P Stiassny (resigned 30 October 2020)
Norman J Thompson (resigned 30 October 2020)

4 Results for the year ended 30 June 2021

Profit for the year was $1.6 million compared with a profit of $18.0 million in the previous year.

There were no dividends paid in the year.

Retained Earnings for the year ended 30 June 2021

	$ 000's
Balance at the beginning of the year	52,779
Profit for the year	1,642
Dividends paid	-
Retained earnings to be carried forward	**54,421**

5 Directors interests

There were no director interests to declare during the year.

6 Share dealings

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

7 Directors renumeration

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

	2021 $ 000's	2020 $ 000's
Adrienne F Young-Cooper	60,808	42,000
Simon R Flood	42,700	23,043
Mark R Thomson	37,050	38,000
Anne J Urlwin (appointed 30 October 2020)	28,667	-
Andrew Blair (appointed 30 October 2020)	26,667	-
Michael QM Tod (appointed 30 October 2020)	26,667	-
Michael P Stiassny (resigned 30 October 2020)	13,567	43,328
Norman J Thompson (resigned 30 October 2020)	13,551	44,000
Prudence M Flacks (resigned 10 May 2020)	-	45,750
Grant F Lilly (resigned 25 October 2019)	-	14,667
	249,676	**250,788**

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

8 Renumeration of employees

There were 13 employees (2020: 20) who received remuneration and other benefits in excess of $100,000 per annum.

Bracket			2021 Number of employees	2020 Number of employees
$100,000	-	$110,000	2	2
$110,000	-	$120,000	2	3
$120,000	-	$130,000	-	5
$130,000	-	$140,000	2	2
$140,000	-	$150,000	1	-
$150,000	-	$160,000	2	2
$160,000	-	$170,000	-	-
$180,000	-	$190,000	1	1
$200,000	-	$210,000	1	-
$230,000	-	$240,000	-	1
$250,000	-	$260,000	-	-
$260,000	-	$270,000	-	1
$270,000	-	$280,000	-	1
$280,000	-	$290,000	-	-
$290,000	-	$300,000	1	-
$330,000	-	$340,000	-	1
$570,000	-	$580,000	1	1

9 Donations

The Company made donations totalling $13,000 during the year (2020: $21,250).

10 Use of company information

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

11 Auditor

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

On Behalf of the Board

Chair

Director

Chair and Managing Directors Report

We are pleased to present Queenstown Airport Corporation's (QAC) annual report for the 2021 financial year. Our priorities over the review period have been to stabilise the business in the complex and uncertain operating environment created by COVID-19 and the associated government response, as well as to safeguard the company's core capability to operate vital airport infrastructure in the Southern Lakes region.

COVID-19 has had a significant impact on the aviation and tourism industries in the Queenstown Lakes District, and around the world. Businesses and airlines operating at both Queenstown and Wānaka airports have been severely impacted. Providing support to the operators at the airports has been an integral part of QAC's response. QAC implemented a broad support programme in early 2020 valued at $6.75 million to date ($4.88 million for the reporting period) providing a range of rent relief packages to tenants, together with other in-kind support.

In FY21 there was a sharp decline in passenger movements (arrivals and departures) at Queenstown Airport compared to FY20, which led to aeronautical and commercial revenue decreasing by 41% and 40%, respectively. In the second half of the reporting period confidence in domestic travel began to recover and this has been key to the results achieved by the business.

On 19 April we celebrated the return of trans-Tasman travel after 387 days without scheduled international services at Queenstown Airport. The reopening of the trans-Tasman border was a welcome step toward recovery, but the vulnerability of the 'bubble' since and the emergence of the highly contagious COVID-19 Delta variant further reinforces the highly uncertain environment we continue to operate in. Prudent and very cautious operational and capital planning, and the ability to make quick decisions continues to be required.

During the reporting period we shifted from operating Wānaka Airport under a long-term lease agreement with QLDC to a management services arrangement with responsibility for day-to-day operations. On 21 April 2021 the High Court handed down its decision on the judicial review proceedings initiated by the Wānaka Stakeholders Group in late 2019, to which QAC was the second respondent. As a result of the decision, the 100-year lease of Wānaka Airport granted by QLDC to QAC on 1 April 2018 was set aside from the date of the judgement. In considering the impact of the decision, QAC has entered into an interim management services agreement with QLDC under which QAC will operate and manage Wānaka Airport on behalf of QLDC as it did for the period from 2009 to 2018. QAC does not have responsibility for long-term planning and investment for Wānaka Airport under this agreement. QAC is continuing to work with QLDC and the Wānaka Airport tenants on a smooth transition from the lease agreement to the management services agreement.

Health, Safety and Security

The health, safety and security of our team, airport community members, customers and contractors are our highest priority. QAC has a safety-first culture and a Zero Harm target which we aim to achieve through a safe operating environment and a 'just culture'. We are pleased to report that QAC's safety record remains strong, and we have not had an employee or contractor Lost Time Injury for more than six years.

QAC worked to ensure preparedness, resilience, and continuous improvement in the areas of health, safety and security. We hosted the annual airport safety and security week at both Queenstown and Wānaka airports with a schedule of events and seminars focused on developing knowledge and collaboration across the airport communities.

Health and hygiene protocols were regularly reviewed and updated, working closely with the Southern District Health Board and border agencies, to protect the wellbeing of our customers and staff. All trans-Tasman passengers arriving at Queenstown Airport are now undergoing temperature scanning as an additional COVID-19 safety measure to protect our border, the health of our people and the community.
QAC and the Southern District Health Board worked together to introduce thermal temperature scanning equipment which identifies passengers with elevated temperatures in an unobtrusive way.
We are continuing to work closely with other airports, partner airlines and government agencies to ensure safety and consistency, and to support public confidence in air travel.

Financial Performance

The results delivered over the FY21 year reflect the significantly changed operating environment, with a 40% decrease in revenue to $27.8 million from $46.7 million in the previous year.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) decreased by 45% from $31.3 million to $17.1 million. Reported Net Profit After Tax was down 91% to $1.6 million from $18.0 million in the same period last year.

QAC halted most of its capital expenditure programme and significantly reduced its operating expenditure as a key component of the company's stabilisation plan. Total operating expenditure decreased by 30% to $10.7 million from $15.3 million last year.

Capital expenditure included investment in the detailed design of the Terminal Upgrade Programme (TUP) at Queenstown Airport. Construction commenced in April 2021. More detail on TUP is provided below.

As at 30 June 2021 term debt was $82 million, an increase of $13 million from 30 June 2020. Term debt represented 25% of net assets on 30 June 2021 compared to 23% on 30 June 2020. The movement in term debt was primarily a result of the payment for the acquisition of the 'Lot 6' land adjacent to the main runway. The equity ratio (total shareholders' funds to total assets) was 76.8% (30 June 2020: 73.7%) and interest coverage ratio (EBITDA/finance costs) is 5.9 times (30 June 2020: 11.9 times). QAC remains compliant with its bank covenants.

During the reporting period QAC successfully lengthened the terms of its banking facilities. QAC is grateful to its bankers for their ongoing support in what has been, and remains, a challenging environment.

Since the voiding of the Wānaka Airport lease on 21 April 2021, an amount receivable to QAC from QLDC of ($14.8m) has been recognised. The net loss on transfer of the lease is $804k. Prior to the termination of the lease Wānaka Airport accounted for about 2% of QAC's total revenue.

Due to the continuing impact of COVID-19 on financial performance during the reporting period, no interim dividend or final dividend to shareholders was declared.

Passenger and Aircraft Movements

During the reporting period there were 1,336,867 passenger movements (arrivals and departures) at Queenstown Airport, down 29% compared to last year and 42% down compared to FY19. Domestic passenger movements were 1,311,587, a 2% increase on the previous year. International passenger movements were 25,280, a 96% decrease on the previous year.

Although growth in passenger activity was forecast to decelerate at Queenstown Airport pre COVID, the marked decrease in passenger movements can be directly attributed to the impact of COVID-19 and the associated travel and border restrictions in place throughout the financial year.

During the year domestic travel remained strong with minimal COVID-19 travel restrictions in place. In August 2020 Auckland moved to Alert Level 3, in which travel was restricted for 14 days, and then again briefly in February 2021 for 3 days. International travel gradually returned; once quarantine-free trans-Tasman travel resumed, however, quarantine-free travel paused again on 26 June 2021. In June 2021, there were 12,746 international passengers compared to 42,892 in June 2019 pre-COVID period before international travel into Queenstown was restricted. There were no international passenger movements in June 2020.

Scheduled aircraft movements were 11,079, down 26% compared to last year. Domestic aircraft movements were 10,727, up 5%. International aircraft movements were 352, down 92% on the same period last year.

Commercial general aviation movements at Queenstown Airport were varied as compared to the prior year for a range of reasons including COVID-19 travel restrictions, inclement weather, and general market conditions. Fixed wing landings were down 36% and corporate jet landings were down 24%, however helicopter landings were up 5%.

Terminal Upgrade Programme

During the year detailed design was completed for our Terminal Upgrade Programme (TUP) at Queenstown Airport and construction began in the terminal building in April to complete a range of improvements to the departures processing area which will ultimately enhance the passenger screening process and airport security. It will also improve the resilience and seismic performance of our existing terminal infrastructure.

The overall footprint and flow of the terminal won't change but the departures processing area will be noticeably larger, featuring:

- New and improved Aviation Security technology - screening lanes and body scanners
- Expanded passenger screening area queue space and an improved environment for passengers
- Refreshed Customs (Emigration) area
- Refreshed Duty Free Departures store
- Seismic strengthening – as a Civil Defence Lifeline utility, we have made an ongoing commitment to maintain a high-level of resilience and preparedness in case of a major seismic event
- A new, more energy-efficient heating, cooling and ventilation system.

Customer Experience

Over the reporting period, several new offerings were introduced to enhance the customer experience at both Queenstown and Wānaka airports. Notably, Sounds Air commenced scheduled services between Wānaka and Christchurch, which has been well received. New food and beverage and rental car options were also introduced at Queenstown Airport.

Climate Action and Social Responsibility

Our sustainability framework incorporates the four wellbeing measures (social, environmental, economic, and cultural) under the Local Government Act. It is aligned to QLDC's Vision Beyond 2050 goal that our district is a place where our quality of life is enhanced by growth through innovation and thoughtful management. Our goal is that, like health, safety and security, sustainability is just 'what we do'.

A programme of work is underway, recognising the role we must play in addressing the global challenge of climate change, to measure and reduce the environmental impact of QAC's business activities, and to support environmental initiatives in the district, beyond QAC.

A key initiative is measuring the carbon footprint of our business activities. An independent audit by Toitū Envirocare was undertaken during the reporting period and the certification was achieved for our base year (FY19) in January. Energy, waste, and transport have been identified as priority areas because of their contribution to our carbon footprint. The annual audit and certification process enables the business to benchmark, set science-based targets and measure our progress in reducing the environmental impact of our business operations to achieve carbon neutrality by 2050, or earlier. In the reporting period audits for FY20 and FY21 were completed. Certification is expected in August 2021. QAC will report its targets and progress annually from FY22.

We're committed to the wellbeing of our staff and local communities through initiatives directed at enhancing social, cultural, environmental and economic wellbeing in the district. Achievements in these areas during the period included:

- Supported the Wakatipu Reforestation Trust by contributing to the organisation's ongoing operating costs and implementing a series of staff volunteer planting days
- Continued our partnership with the Wakatipu High School Foundation, supporting the Awhi Fund is to ensure equity of access to the school's all-round education
- Continued our support of Coastguard Queenstown
- Continued our support of LUMA Southern Lights Project and Emerging Artist Programme
- Continued active support of the national Tiaki Promise to protect our environment and encourage sustainable tourism practices for visitors to our region
- Hosted 'Roll out the Rainbow' at Queenstown Airport for Winter Pride NZ
- Supported the new Shotover Country community skate park
- Continued supporting a range of local community events and not-for-profit organisations, including, Happiness House, Child Cancer Foundation, Caring Families Aotearoa, and the Going Bananas show

Changes of the Board of Directors and Chief Executive Officer

We wish to acknowledge the contribution of Chief Executive Colin Keel, who resigned during the reporting period, ending his tenure on 30 June 2021. Colin served as Chief Executive of QAC for five years during a period of significant change and challenge. Colin brought with him a wealth of business and aviation experience and played a pivotal role in stabilising the business over the last 18 months as QAC navigated its way through the implications of COVID-19. We thank him for his service and his significant contribution to the company.

The announcement of the appointment of Glen Sowry as QAC's next CEO was made in July 2021. Glen will commence in the role in September 2021. The board of directors looks forward to welcoming and working with Glen.

We also wish to thank Michael Stiassny and Norm Thomson, who retired from the board of directors in October 2020 after serving two terms, for their service and commitment to the company. During their tenure Michael and Norm made a considerable contribution to QAC through a dynamic eight-year period.

In October 2020, QLDC announced the appointment of directors, Andrew Blair, Anne Urlwin and Mike Tod to the QAC board. Each has brought significant business and governance experience and individual specialist expertise to the QAC Board.

People and Culture

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

We were pleased to maintain our Living Wage Aotearoa accreditation during the period. The board of directors and leadership team are committed to the payment of the living wage and to extending this beyond QAC employees to our contracted service providers.

Due to the significant impact of COVID-19 on the company, QAC undertook an organisational restructure which was completed during the reporting period. This was a difficult and challenging time for our people, and we would like to acknowledge those who left the business during this period and thank them for their contribution to QAC.

Conclusion

While the past year brought its challenges, it brought to the fore the strength of our airport community and the Queenstown Lakes district. We have seen many people go the extra mile to make a difference and we would like to acknowledge the support and efforts of the QAC team, our shareholders, the Queenstown and Wānaka airport communities, and the residents and businesses of the district.

There will continue to be challenges and disruptions in the year ahead due to the ongoing impacts of COVID-19. We will work in close collaboration with our shareholders, stakeholders, and the community to forge a path forward to recovery of the district balancing social, environmental, cultural, and economic wellbeing.

Adrienne Young-Cooper

Chair
16 August 2021

Simon Flood

Managing Director

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 ended 30 June 2021.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice which give a true and fair view of the financial position of the Company as at 30 June 2021 and the results of operations and cash flows for the period ended on that date.

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

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

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

This Annual Report is dated 16 August 2021 and is signed in accordance with a resolution of the directors.

On Behalf of the Board

Chair

Director

Financial Statements

Income Statement

for the year ended 30 June 2021

	Note	2021 $ 000's	2020 $ 000's
Income			
Revenue from contracts with customers	3	17,909	30,427
Rental and other income	3	9,800	16,179
Other gains		50	61
Total income		**27,759**	**46,667**
Expenses			
Operating expenses	3	5,303	7,851
Net impairment losses on financial assets		-	314
Employee renumeration and benefits	3	5,358	7,173
Total expenses		**10,661**	**15,338**
Earnings before interest, taxation, depreciation and amortisation		**17,098**	**31,329**
Depreciation	8	9,313	8,640
Amortisation	9	325	325
Loss on cancellation of Wanaka airport lease	19	804	-
Earnings before interest and taxation		**6,656**	**22,364**
Finance costs	4	2,895	2,633
Profit before tax		**3,761**	**19,731**
Income tax expense	5	2,119	1,735
Profit for the period		**1,642**	**17,996**

The notes and accounting policies on page 15 to 30 form part of and are to be read in conjunction with these financial statements.

Financial Statements

Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	2021 $ 000's	2020 $ 000's
Profit for the period		**1,642**	**17,996**
Other comprehensive income			
Items that may be subsequently reclassified to the income statement			
Gain/(loss) on cash flow hedging taken to reserves	16	728	(503)
Income tax relating to gain/(loss) on cash flow hedging	16	(204)	141
Realised gains/(losses) transferred to the income statement	16	127	234
Realised gains/(losses) on transfer of Wanaka airport assets transferred to the income statement	16	(129)	-
Items that may not be subsequently reclassified to the income statement			
Gain/(loss) on revaluation of property, plant and equipment	8	34,651	-
Income tax relating to gain/(loss) on revaluation		(2,102)	-
Other comprehensive income for the year, net of tax		**33,070**	**(128)**
Total comprehensive income for the year, net of tax		**34,712**	**17,868**

The notes and accounting policies on page 15 to 30 form part of and are to be read in conjunction with these financial statements.

Financial Statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Ordinary shares	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At 1 July 2020	**37,657**	**204,376**	**(1,106)**	**52,779**	**293,706**
Profit for the period	-	-	-	1,642	1,642
Other comprehensive income	-	32,419	651	-	33,070
Total comprehensive income for the period	-	32,419	651	1,642	34,712
Dividends paid to shareholders	-	-	-	-	-
At 30 June 2021	**37,657**	**236,795**	**(455)**	**54,421**	**328,418**

	Ordinary shares	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At 1 July 2019	**37,657**	**204,376**	**(978)**	**43,078**	**284,133**
Profit for the period	-	-	-	17,996	17,996
Other comprehensive income	-	-	(128)	-	(128)
Total comprehensive income for the period	-	-	(128)	17,996	17,868
Dividends paid to shareholders	-	-	-	(8,295)	(8,295)
At 30 June 2020	**37,657**	**204,376**	**(1,106)**	**52,779**	**293,706**

The notes and accounting policies on page 15 to 30 form part of and are to be read in conjunction with these financial statements.

Financial Statements

Statement of Financial Position

as at 30 June 2021

	Note	2021 $ 000's	2020 $ 000's
Current assets			
Cash and cash equivalents	6	5,065	5,187
Trade and other receivables	7	19,171	2,111
Prepayments		321	511
Total current assets		**24,557**	**7,809**
Non-current assets			
Trade and other receivables	7	1,036	807
Property, plant and equipment	8	398,750	385,201
Intangible assets	9	3,534	4,708
Total non-current assets		**403,320**	**390,716**
Total assets		**427,877**	**398,525**
Current liabilities			
Trade and other payables	10	1,898	19,645
Employee entitlements	11	698	1,003
Current tax payable		1,438	3,359
Derivative financial instruments	12	6	111
Total current liabilities		**4,040**	**24,118**
Non-current liabilities			
Derivative financial instruments	12	597	1,221
Deferred tax liability	5	12,821	10,480
Term borrowings (secured)	14	82,000	69,000
Total non-current liabilities		**95,419**	**80,701**
Equity			
Share capital	15	37,657	37,657
Retained earnings	16	54,421	52,779
Asset revaluation reserve	16	236,795	204,376
Cash flow hedge reserve	16	(455)	(1,106)
Total equity		**328,418**	**293,706**
Total equity and liabilities		**427,877**	**398,525**

The notes and accounting policies on page 15 to 30 form part of and are to be read in conjunction with these financial statements.

Deloitte. for Identification

Financial Statements

Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 $ 000's	2020 $ 000's
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		25,173	47,079
Interest received		5	1
Cash was applied to:			
Payments to suppliers and employees		(9,924)	(17,168)
Interest paid		(2,829)	(2,530)
Income tax paid		(4,068)	(5,660)
Net cash flows from operating activities	20	**8,357**	**21,721**
Cash flows from investing activities			
Cash was applied to:			
Purchases of property, plant and equipment		(21,381)	(14,929)
Purchases of intangible assets		(99)	(519)
Net cash flows from investing activities		**(21,479)**	**(15,448)**
Cash flows from financing activities			
Cash was applied to:			
Net proceeds from borrowings		13,000	6,300
Dividends paid		-	(8,295)
Net cash flows from financing activities		**13,000**	**(1,995)**
Net increase/(decrease) in cash and cash equivalents		(122)	4,278
Cash and cash equivalents at the beginning of the period		5,187	909
Cash and cash equivalents at the end of the period	6	**5,065**	**5,187**

The notes and accounting policies on page 15 to 30 form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2021

1 CORPORATE INFORMATION

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

The Company provides airport facilities, supporting infrastructure and aeronautical services in Queenstown and Wanaka New Zealand. The Company earns revenue from aeronautical activities, retail and rental leases, car parking facilities and other charges and rents associated with operating an airport.

The registered office of the Company is Level 1, Terminal Building, Queenstown Airport, Sir Henry Wigley Drive, Queenstown, New Zealand.

These financial statements for the Company were authorised for issue in accordance with a resolution of the directors on 16 August 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

These financial statements 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). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZIFRS') and other applicable financial reporting standards as appropriate for profit orientated entities.

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

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

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

B) CHANGES IN ACCOUNTING POLICIES AND APPLICATION OF NEW ACCOUNTING POLICIES

The accounting policies set out in these financial statements are consistent for all periods presented except as identified below.

New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2021.

C) REVENUE RECOGNITION

Revenue arising from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when a customer obtains control of the service. The Company disaggregates revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. When selecting the type of categories to use to disaggregate revenue, the company considers how information about the Company's revenue has been presented for information regularly reviewed by the board and management. The Company provides services relating to the aviation sector. The following categories of revenue have been identified – scheduled airlines and general aviation, parking, recoveries and commercial vehicles access.

<u>Scheduled Airlines and General Aviation</u>

Revenue arises at the point of time when the associated aircraft takes off or lands. Payment is due monthly (see note 7 for the payment terms).

<u>Parking</u>

Car park revenue is recognised in accordance with the hourly, daily or weekly parking charges over the time as the service is being transferred for the period when the vehicles use the carparks. From practical reasons the revenue is recorded at the time the car leaves the car park. Aircraft parking is recorded in accordance with the daily parking charges at the time the aircraft leaves the airport. The Company does not consider accrued park charges at a period end to be material based on regular assessment and any amounts are not adjusted for. Payment is due on departure from the carpark.

<u>Recoveries</u>

Revenue is recognised over the time as the lessees are continuously supplied with common areas services, utilities and amenities. The contract price is appropriately allocated to performance obligations using the input method – revenue is recognised on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation, i.e. resources consumed, relative to the total expected inputs to the satisfaction of that performance obligation. Payment is due monthly. (see Note 7 for the payment terms)

<u>Commercial Vehicles Access</u>

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

Rental Revenue

Rental revenue is recognised in accordance with NZ IFRS 16 as described below.

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

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

Interest Income

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

D) EMPLOYEE BENEFITS

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

E) TAXATION

Current tax

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

Deferred tax

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

Goods and services tax

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

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

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

Revaluations

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

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

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

Fair Value

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. For further discussion on fair values refer to note 8.

Depreciation

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

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

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

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

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

Disposal

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

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

Capitalisation of costs

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

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

G) INTANGIBLE ASSETS

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

Assets arising from contracts with customers under NZ IFRS 15

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

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

H) 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.

I) FINANCIAL INSTRUMENTS

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

Financial assets at amortised costs

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

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

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

Financial liabilities at amortised costs

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

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

Financial liabilities at fair value

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

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

Fair value hierarchy

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

Fair value levels:

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

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

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

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

The Company's exposure to various risks associated with the financial instruments is discussed in Note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned in Note 13.

J) FOREIGN CURRENCIES

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to Note 16).

Notes to the Financial Statements

for the year ended 30 June 2021

K) 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 has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

L) SIGNIFICANT EVENTS

As a result of the outbreak and spread of COVID-19 the World Health Organisation declared a global pandemic on 11 March 2020. Following this the New Zealand government imposed travel restrictions which included the quarantining of travellers arriving in New Zealand.

New Zealand has returned to unrestricted domestic travel and a quarantine free travel bubble has been introduced with Australia and Rarotonga in the Cook Islands. However, as at the date of this Annual Report, quarantine free travel with Australia has been suspended as a result of community transmission in the majority of Australia's six states which serves to highlight the unpredictability of the current environment and the inherent uncertainty around the forecast levels of international air travel and its potential to impact domestic travel should there be a similar outbreak in New Zealand. The Company's forecasts are based on information available at the time of preparing the financial statements and reflects the input from various data sources.

Notwithstanding the significant impact of COVID-19 the directors are of the view that the Company's business fundamentals remain strong. Current bank funding facilities have been extended and waivers to banking covenants that were agreed in the prior year have been retained.

3 SURPLUS FROM OPERATIONS

(a) Operating Revenue

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

Revenue from contracts with customers	Timing of recognition	2021 $ 000's	2020 $ 000's
Scheduled airlines and general aviation	At point in time	14,011	24,898
Parking	Over time	2,258	2,957
Recoveries	Over time	578	811
Commercial vehicle access	At point in time	1,062	1,761
Total revenue from contracts with customers		**17,909**	**30,427**
Lease rental revenue		9,489	15,692
Government grants		203	478
Other revenue		107	9
Total revenue from rental and other income		**9,800**	**16,179**

Government grant revenue relates to the receipt of the Governments' COVID-19 wage subsidy scheme.

(b) Operating Expenses	2021 $ 000's	2020 $ 000's
Administration and other	2,616	3,721
Audit services	92	115
Professional services	1,153	2,042
Repairs and maintenance	603	850
Utilities	840	1,124
Total operating expenses	**5,303**	**7,851**
Audit services include :		
Audit of annual financial statements	65	68
Audit of disclosure financial statements	27	26
Other assurance services [1]	-	21
Total audit services	**92**	**115**

[1] Other assurance services include amounts paid during the year ended 30 June 2020 to KPMG for services relating to the internal audit programme

(c) Employee renumeration and benefits	2021 $ 000's	2020 $ 000's
Salaries and Wages	5,085	6,922
Directors fees	273	251
Total employee renumeration and benefits	**5,358**	**7,173**

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Notes to the Financial Statements

for the year ended 30 June 2021

4 FINANCE COSTS

	2021 $ 000's	2020 $ 000's
Interest and finance charges paid for financial liabilities not at fair value through profit or loss	2,719	2,628
Fair value gain/(loss) on interest rate swaps designated as cashflow hedges	177	326
Less capitalised borrowings costs	-	(321)
Total finance costs	**2,895**	**2,633**

Interest was capitalised for the year ended 30 June 2020 at a weighted average cost of borrowings of 3.99%. Finance income from financial assets held for cash management purposes was immaterial and it was classified as revenue in the Income Statement.

5 TAXATION

	2021 $ 000's	2020 $ 000's
a) Current income tax expense		
Current income tax	2,134	5,879
Deferred income tax	(49)	(91)
Prior period adjustment	(32)	4
Origination and reversal of temporary differences	66	(4,057)
Total income tax expense	**2,119**	**1,735**
b) Numeric reconciliation between income tax expense and profit before tax		
Surplus before taxation per the Income Statement	3,761	19,731
Prima Facie Taxation @ 28%	1,053	5,525
Adjusted for tax effect of:		
Permanent differences	536	96
Creation/(reversal) of temporary differences	579	(3,795)
Amortisation of tax component of derivatives	(49)	(91)
Income tax expense as per the Income Statement	**2,119**	**1,735**
c) Net deferred liabilities		
Balance at beginning of the year	10,480	14,674
Deferred tax benefit/(charge) charged to income	34	(4,053)
Deferred tax benefit/(charge) charged to comprehensive income	2,306	(141)
Balance at end of the year	**12,821**	**10,480**
The balance of deferred tax liabilities comprises:		
i Deferred tax liabilities		
Intangible assets	600	387
Property, plant and equipment	11,999	9,909
Trade and other receivables	507	727
	13,106	**11,023**
ii Deferred tax assets		
Derivatives	169	373
Employee benefits	116	170
	285	**543**
Net deferred tax liability	**12,821**	**10,480**

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. 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 2021, $49,000 (2020: $91,000) was recognised as a reduction in tax expense (refer Note 5).

	2021 $ 000's	2020 $ 000's
d) Imputation Credit Account		
Balance at beginning of year	**21,707**	22,489
Income tax paid and payable	**1,708**	2,444
	23,415	**24,933**
Less credits attached to dividends paid	-	(3,226)
Balance at end of year	**23,415**	**21,707**

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Notes to the Financial Statements

for the year ended 30 June 2021

6 CASH AND CASH EQUIVALENTS

	2021 $ 000's	2020 $ 000's
Cash on hand	5,050	5,172
Cash at bank	15	15
Cash and cash equivalents	**5,065**	**5,187**

7 TRADE AND OTHER RECEIVABLES

	2021 $ 000's	2020 $ 000's
Trade receivables	3,222	1,310
less provision for expected credit losses	(319)	(319)
Revenue accruals and other receivables	17,304	1,927
Closing balance	**20,206**	**2,918**
Recognised in the statement of financial position		
Current assets	19,171	2,111
Non-current assets	1,036	807
Closing balance	**20,206**	**2,918**

Trade receivables have general payment terms of the 20th of the month following invoice. Movements in the provision for expected credit losses have been included in net impairment losses on financial assets in the income statement. No individual amount within the provision for expected credit losses is material.

Revenue accruals and other receivables includes the amount owing from QLDC ($14.7 million) to cancel the lease arrangement for Wanaka airport and deferred rental arrangements with tenants in response to COVID-19 of $2.1 million (2020: $1.9 million).

8 PROPERTY, PLANT AND EQUIPMENT

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

	Land $ 000's	Right of use asset $ 000's	Buildings $ 000's	Runways, Taxiways & Aprons $ 000's	Plant & equipment $ 000's	**Total $ 000's**
At fair value	231,040	11,340	64,660	59,251	17,822	**384,114**
At cost	-	-	-	-	24,918	**24,918**
Work in progress at cost	-	-	937	73	2,046	**3,056**
Accumulated depreciation	-	(228)	(5,669)	(4,926)	(16,064)	**(26,887)**
Balance at 30 June 2020	**231,040**	**11,112**	**59,928**	**54,399**	**28,722**	**385,201**
Revaluation	26,823	-	8,454	(1,300)	674	**34,651**
Additions	-	-	135	417	1,285	**1,837**
Transfer of WKA assets at cost	-	(11,021)	(609)	(1,919)	(509)	**(14,058)**
Work in progress movement	(760)	-	1,384	20	(210)	**433**
Depreciation	-	(91)	(3,113)	(2,928)	(3,181)	**(9,313)**
Movement to 30 June 2021	**26,063**	**(11,112)**	**6,251**	**(5,710)**	**(1,942)**	**13,550**
At fair value	257,864	-	63,858	48,596	14,844	**385,161**
At Cost	-	-	-	-	26,027	**26,027**
Work in progress at cost	(760)	-	2,320	93	1,836	**3,489**
Accumulated Depreciation	-	-	-	-	(15,927)	**(15,927)**
Balances at 30 June 2021	**257,103**	-	**66,178**	**48,689**	**26,780**	**398,750**

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.

Notes to the Financial Statements

for the year ended 30 June 2021

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

	Land	Right of use asset	Buildings	Runways, Taxiways & Aprons	Plant & equipment	**Total**
Year ended 30 June 2021	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	**$ 000's**
At historical cost	49,831	-	75,075	59,988	36,495	**221,389**
Work in progress at cost	-	-	1,384	20	(210)	**1,194**
Accumulated depreciation	-	-	(26,936)	(20,125)	(18,068)	**(65,129)**
Net carrying amount	**49,831**	-	**49,523**	**39,883**	**18,217**	**157,454**
Year ended 30 June 2020						
At historical cost	50,591	11,421	74,327	60,789	35,974	**233,102**
Work in progress at cost	-	-	937	73	2,046	**3,056**
Accumulated depreciation	-	(256)	(25,315)	(17,651)	(17,601)	**(60,823)**
Net carrying amount year	**50,591**	**11,165**	**49,949**	**43,211**	**20,419**	**175,335**

c) Land Acquisition

During the current period the Company made a compensation payment of $18.3 million for land known as 'Lot 6'. The Company's compensation payment is supported by an independent valuation. Whilst compensation has been paid, the previous owner has an option to refer the matter to the Land Valuation Tribunal, at which any change to the compensation value will be determined via adjudication.

During the prior year an offer of compensation for Lot 6 was made to the previous landowner for $18.4 million. At 30 June 2020 the offer of compensation had not been paid, accordingly a liability of $18.4 million was included in trade and other payables (note 10).

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

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

Land, buildings, roading and car parking were independently valued by JLL, registered valuers, as at 30 June 2021. The runways, taxiways and aprons were independently valued by Beca Valuations Limited (Beca), registered valuers, as at the same date. The valuation of certain land, buildings, roading and carparks prepared by JLL noted a material valuation uncertainty, and the valuation of runways, taxiways and aprons prepared by Beca noted a significant market uncertainty. Both were as a result of the ongoing impacts of COVID-19.

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

Fair value measurement at 30 June 2021

The valuation assessments of Aeronautical and Non-Aeronautical assets have been undertaken in accordance with NZ IAS 16, which states that assets held for use in the production or supply of goods or services or for rental consideration from third parties, are to be identified as Property, Plant and Equipment and therefore recorded at their 'Fair Value'. Fair value is 'The amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction' Where Fair Value can be determined by reference to the price paid in an active market for the same or similar assets, the value of those assets can generally be determined on the basis of 'Market Value'. Under NZ IAS 16 there is no requirement to assess (and deduct) disposal costs.

The valuation has also been prepared in compliance with NZ IFRS 13 Fair Value Measurement. NZ IFRS 13 Fair Value Measurement applies to reporting standards that require or permit fair value measurements or disclosures and provides a single NZ IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

The Company's land, right-of-use asset, buildings, runways, taxiway and aprons and property, plant and equipment are categorised as Level 1, 2 and 3 in the fair value hierarchy. During the year, there were no transfers between the levels of the fair value hierarchy.

The table below summarises the valuation methodology, key valuation assumptions, fair value hierarchy levels and valuation sensitivity analysis for the significant asset classes.

The remaining asset categories if aggregated have a valuation sensitivity of $1.3 million and have therefore not been separately disclosed. The valuation methodologies relating to the asset categories that have not been disclosed separately included: Investment Basis, Fair Value under Optimised based on Depreciated Replacement Cost and Depreciated Replacement Cost Approach, Market Value - under Direct Sales Comparison Approach, Discounted Cashflow Approach, Capitalisation Approach and Existing Use.

Notes to the Financial Statements

for the year ended 30 June 2021

Asset Classification & Description	Valuation Methodology	Key Valuation Assumptions	Fair Value Hierarchy Level	Valuation Sensitivity
Land **Aeronautical** **Land used for airport-related activities.**	Market Value – based on zonal use. Direct Sales Comparison based on degree of utility within the airport area.	Airport Use zone land compared to commercial and rural values at an average rate of $625,000 per hectare, while Airport terminal land at an average rate of $2,950,000 per hectare.	3	+/- $4.0 million (5% change in land value rates)
Carparking **Land accommodating transportation uses including public, rental car and staff parking as well as commercial service operators.**	Market Value - based on zonal use, land value sales due to uncertain revenue forecasting.	Based on land sales comparison on zonal approach at $6,700,000 per hectare.	3	+/- $1.9 million (5% change in land value rates)
Commercial **Commercial land in the south-western area of the airport.**	Market Value on existing airport use. Sales comparisons for land value assessments.	Land areas assessed at $330/m^2$.	3	+/- $1.0 million (5% change in land value rate or discount rate for contestable land)
Ground Leases **Land leased to third parties for aeronautical activities where the Lessee owns the improvements.**	Market Value using a Present Value of future rental annuities plus land value, based upon actual current lease agreements with third parties. Due to airport disruption and large number of leases under renewal but yet to review.	Majority of the ground leased sites assessed at a freehold land value of $1,000/m^2$ to $1,200/m^2$.	3	+/- $2.0 million (5% change in land value rate or discount rate for contestable land)
Industrial **Vacant land zoned industrial at the northern end of the airport.**	Market Value under a Direct Sales Comparison Approach.	Land values range between $320 – $510/m^2$ at an average of $330/m^2$.	3	+/- $2.5 million (5% change in freehold land rates)
Residential **Various residential sites.**	Market Value under a Direct Sales Comparison Approach.	Adopted land value rate of $1,250/m^2$.	3	+/- $1.0 million (5% change in land value rate)
Runway, Taxiway & Aprons **Aeronautical** **Aeronautical infrastructure and sealed surfaces.**	Fair Value under the Depreciated Replacement Cost (DRC) Approach. It is based upon the principle of substitution, assuming the use of modern materials, techniques and designs.	Reference has been made to inflation indices used and construction rates compiled by Beca's cost estimators and valuations team, who are involved in aviation civil works.	3	+/- $2.24 million (4.9% change in DRC value)
Buildings **Aeronautical** **Terminal Building**	Fair Value under an Optimised Depreciated Replacement Cost (ODRC) approach. The cost of constructing an equivalent asset at current market-based input cost rates, adjusted for remaining useful life (depreciation).	Weighted average construction cost of $5,800/m^2$ and depreciation rates of circa 2.0% per annum.	3	+/- $3.00 million (5% change to replacement rate)
Commercial Queenstown **Buildings leased to third parties and surrounding improvements.**	Contestable buildings have been valued on an investment basis, while the various surrounding improvements have been valued using an ODRC approach.	Yield rates of 4.5% applied to contestable buildings. Land values $1,000/m^2$ - $1,400/m^2$.	3	+/- $1.0 million (5% change in land value rate or discount rate for contestable land)
Residential **Residential improvements.**	Market Value under a Direct Sales Comparison Approach.	Dwelling values of $100,000 - $400,000 depending upon size and quality of presentation. Kerbside values.	3	+/- $50,000 (5% change in value)
Wanaka - Non-Aeronautical **Farmland and buildings including a dwelling and sheds.**	Fair value under an Optimised Depreciated Replacement Cost (ODRC).	Dwelling rate at $1,200/m^2$ and sheds at $200/m^2$.	3	+/- $20,000 (10% change in ODRC value)
Wanaka - Non-Aeronautical **Windermere Farm and Ferguson land.**	Market Value under Direct Sales Comparison and Hypothetical Subdivision Approaches.	Average adopted land value rate of $90,000 per hectare.	3	+/- $1.00 million (5% change in average land rate)

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

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

	Land not leased $ 000's	Land leased $ 000's	Buildings not leased $ 000's	Buildings leased $ 000's	Total $ 000's
At fair value	98,349	103,936	27,091	24,375	**253,751**
At cost	15,288	13,467	6,836	6,359	**41,949**
Work in progress at cost	-	-	335	601	**936**
Accumulated depreciation	-	-	(2,935)	(2,734)	**(5,669)**
Balance as at 30 June 2020	**113,637**	**117,403**	**31,327**	**28,601**	**290,968**
Revaluation	11,022	15,801	3,474	4,980	**35,277**
Additions	-	-	56	80	**135**
Transfer of WKA Assets	-	-	(110)	(499)	**(609)**
Work in Progress	(760)	-	1,743	(359)	**624**
Depreciation (Less Write Back)	-	-	(1,279)	(1,834)	**(3,113)**
Movement to 30 June 2021	**10,262**	**15,801**	**3,883**	**2,368**	**32,314**
At fair value	124,659	133,204	33,132	30,726	**321,720**
At cost					**-**
Work in progress at cost	(760)	-	2,078	243	**1,560**
Accumulated depreciation	-	-			**-**
Balance as at 30 June 2021	**123,900**	**133,204**	**35,209**	**30,969**	**323,281**

9 INTANGIBLE ASSETS

	2021 $ 000's	2020 $ 000's
Cost		
Opening balance	7,034	6,516
Additions/(disposals) from internal developments	(849)	519
Total cost closing balance	**6,185**	**7,034**
Accumulated amortisation		
Opening balance	2,326	2,001
Amortisation expense	325	325
Total accumulated amortisation	**2,651**	**2,326**
Total carrying value of intangible assets	**3,534**	**4,708**

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

Noise boundaries	- 6 to 9 years
Flight fans	- 15 years

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

10 TRADE AND OTHER PAYABLES

	2021 $ 000's	2020 $ 000's
Trade payables	1,347	265
Other creditors and accruals	551	980
Lot 6 payable	-	18,400
Closing balance	**1,898**	**19,645**

The above balances are unsecured. The amount owing to the related parties is specified in Note 19.

11 EMPLOYEE ENTITLEMENTS

	2021 $ 000's	2020 $ 000's
Accrued salary and wages	239	406
Annual leave	459	597
Closing balance	**698**	**1,003**

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Notes to the Financial Statements

for the year ended 30 June 2021

12 DERIVATIVES

	2021 $ 000's	2020 $ 000's
Derivative financial liabilities		
Interest rate swaps (effective)	597	1,332
Foreign exchange forward contracts (effective)	6	-
Closing balance	**604**	**1,332**
Recognised in the statement of financial position		
Current liabilities	6	111
Non-current liabilities	597	1,221
Total derivatives	**604**	**1,332**

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.

13 FINANCIAL RISK MANAGEMENT

a) Foreign exchange risk management

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

b) Interest rate risk management

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

2021	Contract fixed interest rate %	Notional principal amount $ 000's	Fair Value $ 000's
Outstanding floating to fixed contracts			
Less than 1 year		-	-
1 to 2 years	2.623	10,000	6
3 to 5 years	1.959	13,000	597
		23,000	**604**
Cover of principal outstanding		**28%**	

2020	Contract fixed interest rate %	Notional principal amount $ 000's	Fair Value $ 000's
Outstanding floating to fixed contracts			
Less than 1 year		-	-
1 to 2 years	2.470	5,000	111
3 to 5 years	2.316	18,000	1,221
		23,000	**1,332**
Cover of principal outstanding		**33%**	

The interest rate swaps are designated hedge relationships and the hedges assessed to be highly effective over the term of the hedge relationship. As a result, a net unrealised gain of $524,000 net of tax $204,000 relating to the hedging instruments, is included in other comprehensive income (2020: unrealised loss of $362,000 net of tax $141,000).

At 30 June 2021, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact on profit before tax would have been $525,000 lower/higher. A sensitivity of 1% has been selected as this is considered reasonable given the current level of interest rates and the trend observed both on a historical basis and market expectations for future moves.

c) Capital risk management

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

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

Notes to the Financial Statements

for the year ended 30 June 2021

d) Credit and liquidity risk management

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and credit exposures to customers, including outstanding receivables. Credit risk is managed by the senior management and directed by the board. Only independently rated banks with a minimum rating of A (Standard & Poor's) or A1 (Moody's) are accepted. For parties where there is no independent rating, the financial department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. For some customers the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets is mentioned in the Note 7 Trade & Other Receivables, and Note 6 Cash and Cash Equivalents. There are no significant concentrations of credit risk, through exposure to individual customer due to the specifics of the industry. The Company applies the IFRS 9 simplified approach to measuring credit losses, refer to Note 7 Trade & Other Receivables for further discussion.

Liquidity risk represents the risk that the Company may not have the financial ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an on-going basis and reviews the treasury policy headroom levels on an annual basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

The table below analyses the company's financial liabilities and derivative financial liabilities that will be settled on a net basis, into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table are the gross contractual undiscounted cash flows. Balances within 12 months equal their carrying balances.

	Carrying Amount $ 000's	Total cashflow $ 000's	On demand $ 000's	< 1 year $ 000's	1 - 2 years $ 000's	3 - 5 years $ 000's
2021						
Financial liabilities						
Trade and other payables	**1,898**	**1,898**	1,898	-	-	-
Borrowings	**82,000**	**82,000**	-	-	30,000	52,000
Derivative financial instruments	**604**	**604**	-	-	-	597
Total financial liabilities	**84,501**	**84,501**	**1,898**	**-**	**30,000**	**52,597**
2020						
Financial liabilities						
Trade and other payables	19,645	19,645	265	19,380	-	-
Borrowings	69,000	69,000	-	-	54,000	15,000
Derivative financial instruments	1,332	1,332	-	111		1,221
Total financial liabilities	**89,977**	**89,977**	265	19,491	54,000	16,221

14 BORROWINGS

	Expiry Date	Line Limit $ 000's	2021 $ 000's	2020 $ 000's
Bank Facilities				
ASB	30 June 2024	10,000	10,000	11,000
ASB B	30 June 2025	20,000	1,000	-
Bank of China	30 April 2023	30,000	30,000	15,000
BNZ B	30 June 2024	30,000	15,000	15,000
Westpac B	Expired	-	-	20,000
Westpac C	30 June 2025	30,000	8,000	8,000
Westpac D	30 June 2024	20,000	18,000	-
Total borrowings		**140,000**	**82,000**	**69,000**
Recognised in the statement of financial position				
Current liabilities			-	-
Non-current liabilities			82,000	69,000
Total borrowings			**82,000**	**69,000**

The bank facilities are secured by a general security agreement over the Company's assets, undertakings and any uncalled capital.

15 SHARE CAPITAL

	2021 No.	2021 $ 000's	2020 No.	2020 $ 000's
(a) Authorised share capital				
Ordinary shares – fully paid.	16,060,365	37,657	16,060,365	37,657

(b) Ordinary shares

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

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16 RETAINED EARNINGS AND RESERVES

	2021 $ 000's	2020 $ 000's
(a) Retained earnings		
Movements in Retained Earnings were as follows:		
Balance 1 July	52,779	43,078
Net surplus for the year	1,642	17,996
Dividends paid	-	(8,295)
Balance at 30 June	**54,421**	**52,779**

	2021 $ 000's	2020 $ 000's
(b) Asset revaluation reserve		
Movements in the asset revaluation reserve were as follows:		
Balance 1 July	204,376	204,376
Realised gain/(loss) transferred to statement of comprehensive income	(129)	-
Increase arising on revaluation of assets	34,651	-
Deferred tax movement	(2,102)	-
Balance at 30 June	**236,795**	**204,376**

	2021 $ 000's	2020 $ 000's
(c) Cash flow hedge reserve		
Movements in the cash flow hedge reserve were as follows:		
Balance 1 July	(1,106)	(979)
Gain/(loss) recognised on interest rate swaps	735	(515)
Deferred tax movement arising on interest rate swaps	(206)	144
Gain recognised on forward exchange contracts	(6)	12
Deferred tax movement arising on forward exchange contracts	2	(3)
Realised gain/(loss) transferred to statement of comprehensive income	127	235
Balance at 30 June	**(455)**	**(1,106)**

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement when the hedge relationship is discontinued or is included as a basis adjustment to the non-financial hedged item, consistent with applicable accounting treatment.

During the year ending 30 June 2016, the Company closed out $20 million of interest rate swaps at rates ranging from 4.78% to 5.615% at a loss (net of tax) of $1.5 million. As these were designated hedge relationships, the net loss and related tax benefit will be recognised in the Income Statement, over the period of the original swap. During the year ending 30 June 2021, the interest expense of $177,000 and tax benefit of $49,000 was recognised (2020: $325,000 and $91,000 respectively).

17 DIVIDENDS

	2021 Per Share	$ 000's	2020 Per Share	$ 000's
Dividends paid during the year				
Interim dividend	-	-	0.4542	7,295
Final dividend	-	-	0.623	1,000
Total dividends paid during the year		**-**		**8,295**

No dividends were declared and paid during the period.

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Notes to the Financial Statements

for the year ended 30 June 2021

18 OPERATING LEASE ARRANGEMENTS

(a) Company as Lessor: Operating Lease Rental

Operating leases relate to the commercial property owned by the Company with lease terms of between 4 months to 33 years, with options to extend for up to a further 10 years. The lease terms at 30 June 2021, extend up to 19 years in the future. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Company from its commercial property is set out in Note 3. 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:

	2021 $ 000's	2020 $ 000's
Less than 12 months	10,366	9,975
1-2 years	5,709	5,950
2-3 years	4,344	4,054
3-4 years	2,576	2,243
4-5 years	1,678	904
5+ years	4,944	2,828
Total company as lessor; operating lease rental	**29,615**	**25,954**

19 RELATED PARTY TRANSACTIONS

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

Related parties of the Company are:

- Queenstown Lakes District Council (QLDC) - shareholder
- Mark R Thomson - General Manager Property and Commercial, Auckland International Airport Limited
- Auckland International Airport Limited (AIAL) - shareholder
- Prudence M Flacks - Director, Bank of New Zealand Limited (BNZ)

(a) Transactions with related parties

The following transactions occurred with related parties:
All transactions were provided on normal commercial terms.

	2021 $ 000's	2020 $ 000's
Queenstown Lakes District Council (QLDC)		
Rates paid	460	491
Resource and building consent costs and collection fees	24	-
Other payments	-	21
Parking infringement and other income received	(8)	(76)
Frankton Golf Club income	(44)	(43)
Total payments to QLDC	**432**	**393**
Auckland International Airport Limited (AIAL)		
Rescue fire training fees paid	-	5
Director fees and expenses paid	50	43
Total payments to AIAL	**50**	**48**
BNZ		
Interest paid, other bank fees and interest received	-	801
Total payments to BNZ	-	**801**

(b) Balances with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2021 $ 000's	2020 $ 000's
Queenstown Lakes District Council (QLDC)		
Receivables	(14,733)	(1)
Payables	1	1
Net receivables balance	**(14,732)**	-
BNZ		
Borrowings and accrued interest	-	15,001
Net balance	-	**15,001**

BNZ ceased being a related party on 23 May 2020 due to the retirement of Prudence M Flacks from the board of directors of the Company.

On 21 April 2021 the High Court ruled that the granting of the long-term lease for Wanaka Airport from QLDC to the Company was unlawful for the reasons set out in its decision and set the lease aside. Accordingly, the lease arrangement has been cancelled and improvements relating to Wanaka Airport have been transferred to QLDC. The Company has entered into an interim management services agreement to provide various services related to the day-to-day operations of Wanaka Airport on behalf of QLDC for a fee of $355,000 per annum.

The directors have taken independent advice to determine a settlement value of $14.7 million to reverse the lease arrangement. The settlement value represents the net cash outflows made by the Company since the inception of the long-term lease on 1 April 2018, including the cash paid for the long-term lease and improvements. The settlement value is disclosed in Trade and Other Receivables in the Statement of Financial Position.

A net loss on the transfer of assets to QLDC of $0.8M has been recognised in the Income Statement.

(c) Key Management Personnel Compensation

Key management personnel compensation for the year ended 30 June 2021 and the year ended 30 June 2020 is set out below. The key management personnel are all the directors of the Company and the executives with the greatest authority for the strategic direction and management of the Company.

	2021 $ 000's	2020 $ 000's
Short term benefits	1,814	1,767
Total	**1,814**	**1,767**

20 RECONCILIATION OF CASH FLOWS

a) Operating Activities

	2021 $ 000's	2020 $ 000's
Net profit after taxation	1,642	17,996
Add/(Deduct) non-cash items:		
Amortisation	325	325
Depreciation	9,313	8,640
Loss on cancellation of Wanaka airport lease	804	-
Other	(177)	(74)
Changes in Assets and Liabilities:		
(Increase) in trade and other receivables	14,733	942
(Increase)/decrease in prepayments	189	(159)
Increase/(decrease) in current tax payable	1,920	291
Increase/(decrease) in trade and other payables	(17,747)	15,128
Increase/(decrease) in employee entitlements	(305)	(161)
(Increase)/decrease in deferred tax liability	(2,341)	(4,053)
Movement in items reclassified as investing and financing activities	-	(17,154)
Net cash flows from operating activities	**8,357**	**21,721**

b) Financing Activities

	2021 $ 000's	2020 $ 000's
Opening balance	69,000	62,700
Net loans (Repayments)/drawdown	13,000	6,300
Closing balance	**82,000**	**69,000**

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Notes to the Financial Statements

for the year ended 30 June 2021

21 CONTINGENT LIABILITIES

a) Noise mitigation

The Company has implemented a programme of works to assist homeowners living in the inner and mid noise boundaries to mitigate the effects of aircraft sound exposure. This programme was put on hold during the prior year due to the significant negative impact on the Company's financial performance as a direct result of COVID-19. The programme is being continually assessed and will progress when increased levels of airline activity return post COVID-19.

Inner noise mitigation

As at 30 June 2021, the Company had made inner noise mitigation offers to 39 properties (7 are owned by the Company), at a total cost of $1,838,000. Aircraft noise at Queenstown Airport has decreased as a result of the reduced aircraft movement levels due to the closure of New Zealand borders since March 2020. Accordingly, noise mitigation works have been suspended until the Company has greater clarity of the future of domestic and international aircraft movements and the impact on its noise boundaries. There are no capital commitments at reporting date.

Mid noise mitigation

Prior to 30 June 2020 the Company had made a commitment to provide noise mitigation works (mechanical ventilation) to 131 properties. As at 30 June 2021, 18 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

Lot 6

During the current period the Company made a compensation payment of $18.34 million for land known as 'Lot 6'. While compensation has been paid, the previous owner has the option to refer the matter to the Land Valuation Tribunal, at which any change to the compensation value will be determined by adjudication. The Company's compensation was supported by an independent valuation.

22 CAPITAL COMMITMENTS

	2021 $ 000's	2020 $ 000's
Committed for Acquisition of Property, Plant and Equipment	6,867	-
	6,867	-

23 SUBSEQUENT EVENTS

The directors resolved on 13 August 2021 that no final dividend for the year ended 30 June 2021 would be paid to shareholders.
There were no other significant events after balance date.

Statement of Service Performance

for the year ended 30 June 2021

Queenstown Airport Corporation Limited primarily serves the community through the safe and efficient operation of the Queenstown and Wanaka airports to both connect the region and maintain a life-line utility. All action we take to achieve this purpose is underpinned by our guiding principles; to be sustainable, adaptable, viable, and memorable as a destination airport.

This financial year has been uniquely challenged by the COVID-19 pandemic. During this year of considerable uncertainty to the aviation and tourism sector, our focus has been to remain resilient and operational through cautious safety procedures, strong communication, and prudent financial decisions. As a majority community owned entity, we are aligned with Queenstown Lake District Council to promote social, economic, environmental, and cultural wellbeing of the present and future communities.

The Company's Annual Statement of Intent (SOI) distils our initiatives into four key objectives. The SOI provides the performance targets for each of these four objectives for the three proceeding years. We measure and report our achievement against these targets as part of the Statement of Service Performance. The identified objectives include the following:

Sustainability
Our sustainability performance objectives support the environmental, social, and governance commitments that we have made to the local community and airport stakeholders. We have considerable work ahead to achieve these commitments, but we recognize that sustainability is of great importance to our community and region.

Health, Safety, Security and Wellbeing
The health, safety, security and wellbeing of the airport community and customers is our highest priority. These performance targets reflect the ongoing dedication to maintain stringent health and safety procedures.

Community
As a majority community owned infrastructure asset, we are committed to positive, proactive, and transparent engagement with all stakeholders.

People and Culture
Our people and culture are the foundation we build on to achieve all other initiatives. Our core values: "lead the way", "win together", "do the right thing", and "keep the balance" bring us together as one team and guide the way we work.

The financial and commercial performance of the organization is measured and reported through the financial statements proceeding the Statement of Service Performance. Management have provided additional commentary to the financial statements when applicable in the Notes to the Financial Statements.

Statement of Service Performance

for the year ended 30 June 2021

SUSTAINABILITY		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Sustainability Framework	Finalise sustainability framework 2021-2023	Achieved; The sustainability framework has been developed and published in FY21. The development process included various element of consultation with the main focus being on environment, creating value and care for people. The published framework can be found at https://www.queenstownairport.co.nz/corporate/about/sustainability-framework. The published FY21 framework will be used as a base for continued development in FY22 and FY23.
	Publish sustainability framework 2021-2023	Achieved; as per above.
	Conduct sharing sessions with key stakeholders	Not achieved; progress has been made with sharing sessions conducted with the Board of Directors and with the QAC management team. It is expected wider sharing sessions will occur in FY22 that will include the remaining key stakeholders.
	Form airport community champions committee	Not achieved; This has been delayed as a result of COVID-19. The target will be carried forward to FY22 where completion is expected.
Carbon Footprint Reduction	Complete Queenstown and Wanaka airports' carbon footprint	Achieved. It is noted the carbon footprint audit is completed with reference to the previous financial period i.e. in FY21 we report the results related to FY19. QAC has achieved the Toitu carbon reduce certificate in relation to its measurement of greenhouse gas emissions in accordance with ISO 14064-1:2006. In addition, QAC has committed to managing and reducing its emissions in respect of the operational activities of its organisation (excluding Wanaka airport). The certification of FY20 and FY21 will occur in the next financial year.
	Set 1, 3, and 10 year targets and complete carbon emission reduction plans	Not achieved; Data is still being collected (including certification) and the FY21 analysis will be completed in the first quarter of FY22. Upon completion of the data collection management will develop carbon emissions reduction plan.
	Support initiatives to embed sustainability across the organisation	Achieved; established initiatives such as plastic free July and training and workshops. Sustainability communications continue through the intranet.
	Influence the aviation industry and airlines to reduce the carbon footprint associated with flying into and out of the district	Not achieved; in progress to develop collaborations and offsetting initiatives, including formation of an airport champions committee with airline and general aviation representation.
	Continue to work with airlines to replace diesel powered ground servicing units with electric ground power units (GPUs)	Not achieved; delayed due to COVID-19.
Waste and Emissions Reduction	Work on internal and airport community initiatives to reduce waste and emissions	Achieved; implemented various initiatives such as "Keep Cups" to reduce waste across the airport, bus cards have been introduced for all airport staff to use when travelling to meetings or events, and consultation with the main contractor related to the Terminal Upgrade Program has included consideration of waste minimisation.
	Work with QLDC and other partners on waste and emission reduction initiatives	Not achieved; the emissions reduction plan will be completed in FY22.
	Include sustainability requirements in new procurement contracts	Not achieved; phased in corresponding to new procurement contracts.

SUSTAINABILITY		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Ground Transport & Connectivity	Work with airport staff commuting options and flexible working arrangements to reduce cars and support alternative travel options	Not achieved; a survey with staff has been conducted during the year to understand travel requirements to / from work. The data collected will be used to help management assess and implement ways of reducing the use of personal cars for work related travel. This will be implemented in FY22. QAC has also made progress on providing flexible working arrangements with staff and implemented various work from home protocols during FY21.
	Promote public transport offerings and services to the travelling public	Achieved; each QAC employee has been provided a bus card to use for travel to meetings and events rather than personal car use. The use of the bus card is being monitored by management with the avoided emissions monitored and reported. Furthermore QAC is actively promoting the use of the Orbus network via its website as an alternative to private motor car use for travel to / from the airport.
	Be a constructive and collaborative partner with QLDC, ORC, and NZTA through Wakatipu Way to Go Partnership and transport operators working to provide appropriate transport infrastructure, to minimise the number of cars across the transport network, and to promote public transport and active travel solutions.	Partially achieved; QAC are working with the Transport Governance Group in consultation with QLDC, ORC and NZTA to promote greater use of public transport. This is further supported with reference to QAC digital channels referencing public transportation options and the implementation of subsidised bus cards for internal use. These collaborations with partnerships will be continued through FY22.
Noise Management	Continue to implement the noise management programme including facilitating the Queenstown Airport Liaison Committee noise monitoring/modelling, and the noise mitigation programme	Achieved; QALC meeting and reports on Noise Mitigation Programme occurred five times over FY2021. (20/07/2020, 14/09/2020, 30/11/2020, 01/03/2021, 04/05/2021).
Embrace & Showcase our Cultural Heritage	Ensure heritage assets and building are preserved and integrated into airport planning and development activities	Not achieved; a cyclical maintenance plan has been completed for the former Dairy and Smithy at McBride's farm setting. This complements the existing woolshed cyclical maintenance plan. Recommendations from the two plans have been included into ongoing works programmes.

HEALTH, SAFETY, SECURITY AND WELLBEING		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Ensure a Safe, Healthy, Secure & Compliance Airport Environment	Ensure ongoing CAA compliance	The CAA Audit is in progress at 30 June 2021 and is expected to be completed by 31 August 2021.
	Continue drone safety community awareness programme	Achieved; raised awareness through the website, social media, media releases, and additional signage is in place around airport perimeter.
	Hold annual airport safety & security awareness programme	Achieved; held awareness events through the financial year including safety weeks at both Queenstown and Wanaka airports. There was a programme of events during this time designed to engage both staff and the community around airport safety.
	Safety practices are benchmarked - Southern Airport Alliance Group	Not achieved; planned to commence in FY22.
	Complete H&S pre-qualification system implementation	Achieved; the system has been implemented and is operational.
Develop a Capable, Skilled & Engaged Customer Centric Team	Collaborate with Southern Airports Alliance on safety, compliance, security and training and procurement	Achieved; collaborated on safety and security week, completed joint procurement of fire appliance.

HEALTH, SAFETY, SECURITY AND WELLBEING		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Deliver Robust Infrastructure and Facilities	Ensure runways and associated airfield infrastructure remains 100% serviceable	Achieved; put in place a programme of daily checks and inspections, maintenance programme is ongoing.
Deliver Robust Infrastructure and Facilities	Comply with Noise Mitigation program and inner mid noise sectors	Achieved; due to significant reduction in aircraft noise, no mitigation works were undertaken in FY2021. QAC has been working with its external contractors and will recommence the programme in FY2022.
Deliver Robust Infrastructure and Facilities	Establish a back-up potable water supply for ZQN	Not achieved; completed feasibility work, budgeted capital for works to be undertaken as part of FY22 capex.
Build Business and Operational Resilience	Ongoing Terminal Seismic remediation program enhances to at least 70% of New Building Standards (IL3)	Not achieved; detailed design of seismic strengthening of Seismic Stage 1 completed as part of the TUP Phase 1 construction works.
Enable Diverse General Aviation Activities	Continue to facilitate GA at ZQN & WKA	Achieved; assisted the airport community through rent and other relief during COVID-19 travel restrictions, maintained infrastructure to facilitate aircraft movements.
Enable Diverse General Aviation Activities	Facilitate NASA super pressure balloon launch at WKA	Not achieved; cancelled due to COVID-19 restrictions, relationship with NASA ongoing.
Enable Diverse General Aviation Activities	Transition management of Glenorchy Aerodrome from QLDC to QAC management	Not achieved; MSA not yet finalised, QAC continuing to provide maintenance support at Glenorchy Airfield.

COMMUNITY		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Strive for an engaged community that values our contributions	Support the wellbeing and resilience of our communities, by ensuring staff are trained in Civil Defence response roles and providing support when required	Achieved; PIM training conducted for communications roles and CIMS training conducted for key operational roles.
Strive for an engaged community that values our contributions	Continue to support local cultural arts, education, and environmental initiatives and organisations	Achieved; continued partnerships and sponsorships programme with community organisations. Including support for Coastguard, Wakatipu Reforestation Trust, Wakatipu High School Foundation, Winter Pride and Luma Southern Lights Project and Festival of Colour.
Strive for an engaged community that values our contributions	Continue to support community events and activities with an emphasis on health, wellbeing and social inclusion	Achieved; continued ongoing programme of events and sponsorships, including airport community wellbeing initiatives and events.
Strive for an engaged community that values our contributions	Strengthen engagement with local iwi and hapu and investigate opportunities at both airports to showcase the whakapapa of Kai Tahu	Not achieved; investigated opportunities at both airports to showcase the whakapapa of Kai Tahu. To be completed in FY22.
Enhance collaborative relationships across our airport communities & stakeholders	Engage with our team, airport stakeholders and community through a programme of events: Airport Safety Week, Airport Security Week programme across both airports	Achieved; held Safety & Security week at both Queenstown and Wanaka airports.
Keep our Airport Communities and Wider Community Informed	Provide information with a focus on the issues that matter to our communities, understanding that our stakeholders have different interests, expectations and interactions with the airports	Achieved; communicated through multiple platforms and executed a series of meetings and events.
Keep our Airport Communities and Wider Community Informed	Share airport insights are datasets, relevant airport and aviation news and stories and publish Korero, our digital magazine.	Achieved; published Korero digitally, delivered airport and data insights monthly to the airport community and stakeholders.
Keep our Airport Communities and Wider Community Informed	Engage with our shareholders, stakeholders and community about QAC's long term planning activities	Not achieved; provided planning updates to shareholders through SOI and meetings. However, no long term planning has been completed during FY21 due to the disruption caused by Covid. This activity is expected to increase again in FY22.
Keep our Airport Communities and Wider Community Informed	Work with our shareholders, stakeholders, and the community on the response to COVID-19 and its impact on our business and district	Achieved; provided relief and support to the airport community tenants, successfully facilitated SDHB on site as required, successfully rolled out the airport worker COVID-19 vaccination programme. NZAC participation ongoing.

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COMMUNITY		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Managed our Impact on the Environment and Community in a Sustainable Way	Share our sustainability framework and provide updates on social, economic, environmental and cultural value	Achieved; published the framework online, achieved Toitu accreditation, ongoing refinement and implementation of initiatives.
	Continue noise mitigation programme and communicate regularly with our closest neighbours	Achieved; maintained the website, appointed appropriate representatives to the QALC as community representatives.

PEOPLE AND CULTURE		
Objectives	**Performance Target for 2021**	**2021 Achievement**
Foster a Values-led "One Team" Culture	Continue to develop a people and culture strategy that creates opportunities for our people and supports cross team collaboration.	Achieved/ongoing; in line with the business strategy, created a people and culture plan to drive business outcomes. A People and Culture Committee has been established to ensure there are relevant focus areas and priorities.
	Implement new employee engagement measurement tool that provides enhanced analysis, benchmarking.	Achieved; a new employee engagement tool was selected and implemented in FY21. The QAC tool is Peakon. This tool is effective at providing enhanced analysis and benchmarking.
	Actively involve our staff in sustainability initiatives	Achieved; established the Tiaki Team as ambassadors of sustainability through the organisation.
	Provide through QAC's wellbeing programme, access to a range of services, including professional counselling, flu vaccines and health insurance	Achieved; QAC continue to offer Southern Cross Wellbeing 2 type of cover to all employees that are offered permanent employment or a fixed term contract of 12 months. QAC continue to provide EAP via OCP which offers access to confidential, professional counselling. Flu vaccines are offered to all staff annually. Further, QAC provides a 'get active wellbeing subsidy' for all employees and a birthday paid leave day.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

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

Opinion

We have audited:

- the financial statements of the company on pages 10 to 30, that comprise the statement of financial position as at 30 June 2021, 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 31 to 35.

In our opinion:

- the financial statements of the company on pages 10 to 30:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the company on pages 31 to 35 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 2021.

Our audit was completed on 16 August 2021. 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.

Significant Valuation Uncertainty

Without modifying our opinion, we draw attention to the disclosure in Note 8(d) to the financial statements, which discloses that in estimating the fair value of property, plant and equipment as at 30 June 2021, the Company's valuers have highlighted:

- the material valuation uncertainty relating to some land, buildings, roading and car parks; and
- a significant market uncertainty relating to the valuation of runways, taxiways and aprons.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 8, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

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

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