



Queenstown Airport Corporation Limited

Disclosure Financial Statements for
Financial Year Ended 30 June 2018

Contents

Directors Report.....	2
Income Statement.....	3
Statement of Comprehensive Income.....	4
Statement of Financial Position.....	5
Statement of Changes in Equity.....	6
Cash Flow Statement.....	7
Notes to the Disclosure Financial Statements.....	8
Identified Airport Activities Reporting.....	31

Directors Report

The Directors have pleasure in presenting the Disclosure Financial Statements of Queenstown Airport Corporation Limited (the Company) for the year ended 30 June 2018. These statements present the results of the Identified Airport Activities of the Company and additional information and have been prepared for the purposes of, and in accordance with, the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014.

1. Board of Directors

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

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

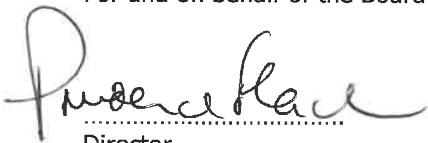
2. Principal Activities of the Company

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

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

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

For and on behalf of the Board


.....
Director


.....
Director

23/10/18
.....
Date

Income Statement

For the financial year ended 30 June 2018

	Notes	2018 \$ 000's	2017 \$ 000's
Income			
Revenue	3(a)	28,542	25,128
Other gains	3(b)	28	100
Total income		28,570	25,228
Expenditure			
Operating expenses	5	5,126	5,393
Employee benefits expense	3(c)	5,023	4,201
Total operating expenditure		10,149	9,594
Operating earnings before interest, taxation, depreciation and amortisation		18,421	15,634
Depreciation	3(d)	5,514	5,247
Amortisation	9	656	571
Loss on revaluation of assets	3(e)	52	-
Operating earnings before interest and taxation		12,199	9,816
Finance costs	12	3,614	2,894
Profit before income tax and subvention payment		8,585	6,922
Subvention payment	4(a)	-	215
Profit before income tax		8,585	6,707
Income tax expense	4(a)	2,886	1,563
Profit for the year		5,699	5,144

The accompanying notes form part of these financial statements.



Statement of Comprehensive Income

For the financial year ended 30 June 2018

	Notes	2018 \$ 000's	2017 \$ 000's
Profit for the year		5,699	5,144
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Gain/(loss) on cash flow hedging taken to reserves	14(c)	(542)	494
Income tax relating to gain/(loss) on cash flow hedging	14(c)	112	(118)
Realised gains/(losses) transferred to the income statement	14(c)	306	198
Items that may not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment	14(b)	7,852	11,464
Income tax relating to gain on revaluation	14(b)	(681)	(1,422)
Other comprehensive income for the year net of tax		7,047	10,616
Total comprehensive income for the year, net of taxation		12,746	15,759

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$ 000's	2017 \$ 000's
Current assets			
Cash and cash equivalents	18(a)	1,897	915
Trade and other receivables	6	3,082	2,862
Prepayments		312	127
Total current assets		5,291	3,904
Non-current assets			
Property, plant and equipment	8	186,518	164,053
Intangible assets	9	2,943	2,770
Derivatives	7	-	263
Total non-current assets		189,461	167,086
Total assets		194,752	170,990
Current liabilities			
Trade and other payables	10	2,527	3,502
Income in advance		1	1
Employee entitlements	11	761	696
Current tax payable		2,040	952
Total current liabilities		5,329	5,152
Non-current liabilities			
Borrowings (secured)	12	75,100	61,706
Derivatives	7	136	-
Deferred tax liabilities	4(c)	11,631	11,134
Total non-current liabilities		86,867	72,840
Total liabilities		92,196	77,992
Net assets		102,556	92,998
Equity			
Share capital	13	18,892	18,892
Retained earnings	14(a)	9,326	6,815
Asset revaluation reserve	14(b)	75,135	67,965
Cash flow hedge reserve	14(c)	(797)	(674)
Total equity		102,556	92,998

The accompanying notes form part of these financial statements.



Statement of Changes in Equity

For the financial year ended 30 June 2018

	Ordinary shares \$ 000's	Asset revaluation reserve \$ 000's	Cash flow hedge reserve \$ 000's	Retained earnings \$ 000's	Total \$ 000's
At 1 July 2017	18,892	67,965	(674)	6,815	92,998
Profit for the year	-	-	-	5,699	5,699
Other comprehensive income		7,170	(123)	-	7,047
Total comprehensive income for the year	-	7,170	(123)	5,699	12,746
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(3,188)	(3,188)
At 30 June 2018	18,892	75,135	(797)	9,326	102,556
	Ordinary shares \$ 000's	Asset revaluation reserve \$ 000's	Cash flow hedge reserve \$ 000's	Retained earnings \$ 000's	Total \$ 000's
At 1 July 2016	18,892	57,923	(1,248)	4,458	80,025
Profit for the year	-	-	-	5,144	5,144
Other comprehensive income	-	10,042	574	-	10,616
Total comprehensive income for the year	-	10,042	574	5,144	15,759
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(2,786)	(2,786)
At 30 June 2017	18,892	67,965	(674)	6,815	92,998

The accompanying notes form part of these financial statements.



Cash Flow Statement

For the financial year ended 30 June 2018

	Notes	2018 \$ 000's	2017 \$ 000's
Cash flows from operating activities			
Receipts from customers		28,366	24,554
Interest received		13	24
Payments to suppliers and employees		(10,432)	(9,441)
Interest paid		(1,608)	(2,583)
Subvention payment made		-	(215)
Income tax paid (net)		(2,040)	(1,239)
Net cash inflow from operating activities	18(b)	14,299	11,101
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	5
Purchase of property, plant and equipment		(21,310)	(8,444)
Purchase of intangible assets		(753)	(270)
Net cash (outflow) from investing activities		(22,063)	(8,709)
Cash flows from financing activities			
Net proceeds from borrowings/(repayments)		11,934	388
Dividends paid to equity holders of the parent		(3,188)	(2,786)
Net cash inflow/(outflow) from financing activities		8,746	(2,398)
Net increase/(decrease) in cash and cash equivalents		983	(6)
Cash and cash equivalents at the beginning of the financial year		915	921
Cash and cash equivalents at the end of the financial year	18(a)	1,898	915

The accompanying notes form part of these financial statements.



Notes to the Disclosure Financial Statements

For the financial year ended 30 June 2018

1. General Information

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

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

These financial statements have been approved for issue by the Board of Directors on 23 October 2018. The Company's owners do not have the power to amend these financial statements once issued.

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

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

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

- a) The provision of any one or more of the following:
 - i. airfields, runways, taxiways, and parking aprons for aircraft
 - ii. facilities and services for air traffic and parking apron control
 - iii. airfield and associated lighting
 - iv. services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft
 - v. rescue, fire, safety and environmental hazard control services
 - vi. airfield supervisory and security services
- b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

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

- a) The provision, within a security area or security areas of the relevant airport of any one or more of the following:
 - i. Passenger seating areas, thoroughfares and air bridges
 - ii. Flight information and public address systems
 - iii. Facilities and services for the operation of customs, immigration and quarantine checks and control
 - iv. Facilities for the collection of duty-free items
 - v. Facilities and services for the operation of security and police services
- b) Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check-in of aircraft passengers, including services for baggage handling:
- c) The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime); -

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

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



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

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

2. Summary of Accounting Policies

Reporting Entity

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

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

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 2013, the Companies Act 1993 and the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, foreign currency bank accounts and certain items of property, plant and equipment (see notes 2(h) and 1(k)). Historical cost is based on the fair values of the consideration given in exchange for goods and services.

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

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

(b) Statement of Compliance

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

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

(c) Revenue Recognition

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

(i) Rendering of Services

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

Passenger charges and car park and commercial transport revenue are recognised in the accounting period in which the actual service is provided to the customer.

(ii) Rental Income

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

(iii) Interest Revenue

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

(iv) Sale of Property, Plant and Equipment

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

(d) Leases

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

(i) Company as a Lessee

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

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

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

(ii) Company as a Lessor

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

(e) Employee Benefits

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

(f) Taxation

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

(i) Current Tax

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

(ii) Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the comprehensive balance sheet liability method. Deferred tax liabilities are generally recognised for all deductible temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

(iii) Current and Deferred Tax for the Year

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

(iv) Goods and Services Tax

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

(g) Statement of Cash Flows

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

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

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

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

(h) Property, Plant and Equipment

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

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

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

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

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

Revaluations

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

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

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

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

Fair Value

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

Asset	Valuation Approach
Land	Market Value
Right-of-use asset	Market Value
Runways, Taxiways & Aprons	Optimised Depreciated Replacement Cost
Terminal (including noise mitigation works) and Rescue Fire Buildings	Optimised Depreciated Replacement Cost
Ground leases and Commercial buildings	Market Value
Roading and Car Parking	Market Value

Depreciation

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

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

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



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

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

Disposal

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

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

Capitalisation of costs

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

(i) Intangible Assets

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

(j) Impairment of Non-Financial Assets

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

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

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



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

(k) Foreign Currencies

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

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

(l) Financial Instruments

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

(i) Financial Assets

Effective Interest Method

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

Financial Assets at Fair Value through Profit or Loss

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss for the year.

to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial Liabilities

Trade & Other Payables

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

Borrowings

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

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

(iii) Derivative Financial Instruments

The Company enters into certain derivative financial instruments to manage its exposure to interest rate risk and foreign currency exchange rate risks, including interest rate swaps and foreign exchange forward contracts. Further details of the derivative financial instruments are disclosed in note 7.

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

(iv) Hedge Accounting

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

Note 7 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in other comprehensive income.

Cash Flow Hedges

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

Amounts previously recognised in the hedging reserve are reclassified from equity to the Income Statement in the periods when the hedging item affects the profit or loss, in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability (as a reclassification adjustment).



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

(m) Segment Reporting

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

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

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

New and amended standards and interpretations

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

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

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for both the current and the comparative period in the Annual report for Financial Year Ended 30 June 2018.

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

(o) Allocation Methodologies

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

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



3. Surplus from Operations

(a) Revenue

	2018	2017
	\$ 000's	\$ 000's
Revenue consisted of the following items:		
Revenue from rendering of services:		
Passenger / landing charges	27,053	23,821
Total revenue from rendering of services	27,053	23,821
Licenses, leases & aircraft parking	1,476	1,272
Interest revenue	13	35
Total Revenue	28,542	25,128

(b) Other Gains

Gain on disposal of property, plant and equipment	-	5
Net foreign currency exchange gains	28	95
Total Other Gains	28	100

(c) Employee Benefits Expense

Salaries and wages	4,824	4,063
Directors fees	199	139
Total Employee Benefits Expense	5,023	4,201

(d) Depreciation

Buildings	2,033	1,999
Right of use Asset	29	-
Runways, Taxiways & Aprons	1,927	1,834
Plant & Equipment	1,525	1,414
Total Depreciation	5,514	5,247

(e) Loss on Revaluation of Assets

Right of use Asset	52	-
Total Loss on Revaluation of Assets	52	-



4. INCOME TAXES

	2018 \$ 000's	2017 \$ 000's
(a) Tax Expense/(Income) comprises:		
Current tax expense/(credit):		
Current year	3,0712	2,355
Adjustments for prior years	16	(54)
Subvention payment	-	(215)
	3,088	2,086
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(72)	(455)
Adjustment for prior year	-	27
Other	(11)	-
Amortisation of tax component of derivatives	(119)	(95)
	(202)	(523)
Total Tax Expense	2,886	1,563

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

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

Surplus before income tax	8,585	6,707
Income tax expense calculated at 28%	2,404	1,878
Permanent differences	136	82
Other deferred tax reconciling items	449	(120)
Adjustment for prior years	16	(27)
Subvention payment	-	(155)
Amortisation of tax component of derivatives	(119)	(95)
Income Tax Expense	2,886	1,563

(b) Income Tax Recognised Directly in Other Comprehensive Income

Deferred tax of \$0.57 million (2017: \$1.54 million) has been charged directly to other comprehensive income during the period, relating to the revaluation of fixed assets and the fair value movement in the interest rate swaps and foreign exchange forward contracts.



(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

2018	Opening balance	Charged to profit for the year	Charged to other comprehensive income	Closing balance
	\$	\$	\$	\$ 000's
	000's	000's	000's	
Gross deferred tax assets/(liability):				
Property, plant and equipment	(10,443)	(100)	(681)	(11,224)
Intangible assets	(625)	184	-	(441)
Employee benefits	89	11	-	100
Derivatives	(74)	-	112	38
Trade and other payables	(81)	(23)	-	(104)
	(11,134)	72	(569)	(11,631)

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

During the year ending 30 June 2016, a movement in deferred tax on derivatives of \$578,340 occurred relating to losses on interest rate swaps closed out during that financial year (refer Note 7). These are being amortised over the original life of the swap, reducing the tax expense for accounting purposes, but were immediately deductible for tax purposes. During the year ending 30 June 2018, \$145,375 (2017: \$94,810) was recognised as a reduction in tax expense (refer Note 4(a)).

(d) Imputation Credit Account Balances (For Whole Company)

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



	2018 \$ 000's	2017 \$ 000's
5. Operating Expenses		
Total Operating Expenses	5,126	5,393
Operating expenses include the following:		
Audit fees (whole company) - disclosure financial statements	25	25
Audit fees (whole company) - financial statement audit	63	65
6. Trade & Other Receivables		
Trade and other receivables	3,082	2,862
Total Trade & Other Receivables	3,082	2,862
7. Derivatives (For Whole Company)		
Derivative financial assets/(liabilities):		
Interest rate swap (i) (effective)	(109)	239
Foreign exchange forward contracts (effective)	(27)	24
Total Derivatives	(136)	263

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

- i. Interest rate swaps in place of \$22.5 million cover approximately 40% of the principal outstanding. The fixed interest rates range between 2.3450% and 2.6225% (2017: 2.3450% and 2.6225%). The interest rate swaps are designated hedge relationships and therefore to the extent that the relationship is effective movements, are recognised in Other Comprehensive Income.
- ii. During the year ending 30 June 2016, the Company closed out \$20 million of interest rate swaps at rates ranging from 4.78% to 5.615% at a loss (net of tax) of \$1.5 million. As these were designated hedge relationships, the net loss and related tax benefit will be recognised in the Income Statement, over the period of the original swap. During the year ending 30 June 2018, the interest expense of \$519,197 and tax benefit of \$145,375 was recognised (2017: \$338,606 and \$94,810 respectively - refer Note 4(a)).

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



8. Property, Plant and Equipment

2018	Cost/ Valuation \$000	Accumulated Depreciation \$000	Net Book Value \$000
Land	74,943	-	74,943
Right of use Asset	11,369	(29)	11,340
Buildings	39,927	(2,033)	37,894
Runways, Taxiways & Aprons	50,804	(1,927)	48,877
Plant & Equipment	22,278	(8,814)	13,464
	199,321	(12,803)	186,517

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

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

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

Land, buildings, roading, car parking were independently valued by Seagar & Partners, registered valuers, as at 30 June 2018. The runways, taxiways and aprons were independently valued by Beca Valuations Limited (Beca), registered valuers, as at the same date. The right-of-use asset and Wanaka assets were independently valued by Jones Lang Lasalle Limited (JLL), registered valuers, as at the same date.

The fair value of these assets as at 30 June 2018 was \$174.2 million (2017: \$152.6 million)



9. Intangible Assets

	2018 \$ 000's	2017 \$ 000's
Cost		
Opening balance	3,791	3,538
Transfer to property, plant and equipment	-	(384)
Additions from internal developments	829	637
Total cost closing balance	4,620	3,791
Accumulated amortisation		
Opening balance	1,021	465
Transfer for property, plant and equipment	-	(15)
Amortisation expense	656	571
Total accumulated amortisation	1,677	1,021
Total Carrying Value of Intangible Assets	2,943	2,770

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

Noise boundaries	6 to 9 years
Flight fans	15 years

10. Trade & Other Payables

Trade payables	1,111	1,020
Other creditors and accruals	1,416	2,482
Total Trade & Other Payables	2,527	3,502

11. Employee Entitlements

Accrued salary and wages	412	387
Annual leave	349	309
Total Employee Entitlements	761	696



12. Borrowings

	Commencement Date	Expiry Date	Line limit \$ 000's	Drawn at 30 June 2018 \$ 000's	Drawn at 30 June 2017 \$ 000's
BNZ Facility A	23 May 2016	22 May 2020	30,000	21,000	27,000
BNZ Facility B	1 August 2016	31 July 2021	30,000	10,000	-
Westpac Facility A	23 May 2016	22 May 2020	20,000	20,000	20,000
Westpac Facility B	1 August 2016	31 July 2021	20,000	6,000	-
Westpac Facility C	30 April 2018	29 April 2021	20,000	-	-
Westpac Facility D	30 April 2018	29 April 2023	20,000	-	-
ASB Facility	30 April 2018	29 April 2020	20,000	-	-
Bank of China Facility	30 April 2018	29 April 2023	60,000	-	-
Internal debt from commercial activities				18,100	14,706
Total Current and Non-Current Borrowings			220,000	75,100	61,706

Disclosed in the financial statements as:

Current	-	-
Non-current	75,100	61,706

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

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

	Statutory Financials 2018 \$000's	Disclosure Financials 2018 \$000's
Interest on borrowings	2,491	3,632
Less: Interest capitalised to projects	(18)	(18)
Total Finance Costs	2,473	3,614
Borrowings (i), (ii)		
Current	-	-
Non-current	57,000	75,100
	57,000	75,100

- (i) Under the methodology applied in preparing these disclosure financial statements debt is allocated between identified Airport Activities on the assumption that it represents the net position of the activities after all other cash flows. It represents intra-segmental borrowing.



12. Borrowings (cont.)

- (ii) Auckland Airport Holdings (No.2) Limited has been issued shares in the whole company, a proportion of which has been included within these disclosure financial statements. The result of this allocation is that specified airport activities reflected in these financial statements have a higher allocation of debt than the position for the whole company, with internal debt of \$22.423 million (2017: \$14.706 million) from the commercial activities. This impacts the finance costs reflected in these disclosure financial statements. The finance costs recognised within the disclosure financial statements have been calculated using the weighted average interest rate of 4.0% (2017: 3.8%) applied to the allocated debt.

13. Share Capital

	2018	2017	2018	2017
	No.	No.	\$ 000's	\$ 000's
Fully Paid Ordinary Shares	000's	000's	\$ 000's	\$ 000's
Balance at beginning of year	7,142	7,142	18,892	18,892
Balance at End of Year	7,142	7,142	18,892	18,892

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

14. Retained Earnings and Reserves

	2018	2017
	\$ 000's	\$ 000's
(a) Retained Earnings		
Balance at the beginning of the year	6,815	4,458
Profit for the year after taxation	5,699	5,144
Dividends paid during the year (i)	(3,188)	(2,786)
Balance at End of Year	9,326	6,815
(i) Dividends Paid		
Final Dividend	2,743	2,341
Interim Dividend	445	445
Total Dividend Paid	3,188	2,786

On 16th February 2018 an interim dividend of 6.23 cents per share (total dividend For Whole Company of \$1,000,000 based on total share holdings of 16,060,365) for the year ending 30 June 2018 was paid to holders of fully paid ordinary shares.

On 23th August 2017 a final dividend of 38.41 cents per share (total dividend For Whole Company of \$6,169,007 based on total share holdings of 16,060,365) for the year ending 30 June 2017 was paid to holders of fully paid ordinary shares.

(b) Asset Revaluation Reserve

Balance at the beginning of the year	67,965	57,923
Change in revaluation of assets	7,852	11,464
Deferred tax movement on change in revaluation	(681)	(1,422)
Balance at End of Year	75,135	67,965

The asset revaluation reserve is used to record increases and decreases in the fair value of property, plant and equipment to the extent that they offset one another.

(c) Cash Flow Hedge Reserve

	2018	2017
	\$ 000's	\$ 000's
Balance at the beginning of the year	(674)	(1,248)
Gain/(loss) recognised on interest rate swaps	(490)	470
Deferred tax movement arising on interest rate swaps	97	(112)
Gain/(loss) recognised on forward exchange contracts	(51)	24
Deferred tax movement arising on forward exchange contracts	15	(7)
Realised losses/(gains) transferred to the income statement	306	198
Balance at End of Year	(797)	(674)

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement when the hedge relationship is discontinued or is included as a basis adjustment to the non-financial hedged item, consistent with applicable accounting treatment (refer Note 7).

15. Commitments for Expenditure (For Whole Company)

Capital Expenditure Commitments

Acquisition of property, plant and equipment	298	754
Apron overlay	6,816	-
Noise mitigation packages (refer Note 20)	235	594
Committed for Acquisition of Property, Plant and Equipment	7,349	1,348

16. Operating Lease Arrangements (For Whole Company)

(a) Company as Lessee; Operating Lease Commitments

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

Non-cancellable operating lease payments:

Not longer than 1 year	99	39
Longer than 1 year and not longer than 5 years	69	60
Total Company as Lessee; Operating Lease Commitments	168	99

(b) Company as Lessor; Operating Lease Rental

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

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



(b) Company as Lessor; Operating Lease Rental (cont.)

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

17. Related Party Disclosures (For Whole Company)

(a) Parent Entity

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

(b) Transactions with Related Parties

Related parties of the Company are:

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

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

Queenstown Lakes District Council

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

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

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

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

	2018	2017
	\$ 000's	\$ 000's
<u>Auckland International Airport Limited</u>		
Rescue fire training	(13)	(50)
Purchase of fire appliance	(2)	-
Directors Fees	(38)	-
Queenstown Airport Corporation Limited receives services from Auckland International Airport Limited for which no consideration is paid.		
<u>Hadley Consultants Limited</u>		
Consultant engineering services	-	(2)
<u>Warbirds Over Wanaka Community Trust</u>		
Warbirds over Wanaka Event Fee	13	-
<u>Civil Aviation of New Zealand</u>		
CAA certification audit fees	(10)	(9)
<u>Aviation Security Service</u>		
Airport security cards	(8)	(7)
Rental, power recovery and parking revenue	239	194
<u>ISPS Honda NZ Golf Open</u>		
Sponsorship	(10)	(10)
<u>Go Rentals (Auckland) Ltd</u>		
Commercial parking revenue	101	79
<u>New Zealand Transport Agency</u>		
Recovery of governance workshop costs	8	-
<u>BNZ</u>		
Interest paid, other bank fees and interest received	(865)	(864)

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

<u>Aviation Security Service</u>		
Rental, power recovery and parking revenue	8	3

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

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

(f) Compensation of key management personnel

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



18. Notes to the Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

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

	2018	2017
	\$ 000's	\$ 000's
Cash on hand	13	15
Bank account	1,884	900
Total Cash and Cash Equivalents	1,897	915

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

Profit for the year	5,699	5,144
Add/(less) non-cash items:		
Amortisation	656	571
Depreciation and impairment	5,566	5,247
(Gain)/Loss on sale of Property, Plant & Equipment	-	(5)
Unwind of deferred tax liability to tax expense	(72)	(445)
Other	1,623	198
	7,773	5,566
Changes in assets and liabilities:		
Increase in trade and other receivables	(220)	(634)
Increase in prepayments	(184)	(3)
Increase/(decrease) in current tax payable	1,038	847
Increase/(decrease) in trade and other payables	(927)	352
Increase in employee entitlements	66	377
Movement in items reclassified as investing and financing activities	1,054	(548)
	827	391
Net Cash Inflow from Operating Activities	14,299	11,101



19. Financial Instruments (For Whole Company)

(a) Foreign Exchange Risk Management

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

The Company entered into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales in USD. These foreign exchange forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast revenues in USD. These forecast transactions are highly probable, and they comprise 100% of the Company's total expected revenues in USD. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. At 30 June 2018 an unrealised loss of \$37,000 net of tax \$14,000 relating to the hedging instruments, is included in other comprehensive income (2017: unrealised gain of \$17,000 net of tax \$7,000). It is anticipated that the lease payments received over the period of lease, will match the timing and amount of each forward foreign exchange contract.

(b) Interest Rate Risk Management

The Company has interest rate risk resulting from its floating rate borrowings under its debt facility. In order to protect against this risk, the Company has entered into interest rate swaps agreements, under which it has the right to transform a series of future variable interest cash flows, attributable to changes in 3 month NZD-BRR-FRA, back to a known fixed interest cash flow based on the relevant swap rate that existed at the inception of the hedge relationship.

At 30 June 2018 the Company had interest rate swap agreements in place with a notional amount of \$22.5 million (2017: \$22.5 million), covering approximately 40% of the principal outstanding (2017: 48%). The interest rate swaps are designated hedge relationships and the hedge was assessed to be highly effective over the term of the hedge relationship. As a result, a net unrealised loss of \$251,000 net of tax \$97,000 relating to the hedging instruments, is included in other comprehensive income (2017: unrealised gain of \$287,000 net of tax \$112,000).

(c) Capital Risk Management

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

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

20. Contingent Liabilities (For Whole Company)

Noise Mitigation

The Company has implemented a programme of works to assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise boundaries. This financial year the company progressed the delivery of inner noise mitigation packages offered to the 11 properties as at 30 June 2017. As at 30 June 2018, the company has started inner noise mitigation works on 7 houses, at a cost of \$625,000. These costs have been recognised as part of buildings within the property, plant and equipment of the Company (Note 7). The cost to complete these houses plus the estimated cost of 1 house that has since accepted is \$235,000, which has been disclosed as a capital commitment in Note 15.

In early June 2018, 107 letters were sent out, 84 offering mid-noise mitigation works (mechanical ventilation packages), and 23 for the second round of inner noise mitigation packages. Subsequent to 30 June 2018, 41 of 107 homeowners have replied and requested to proceed with design prior to determining whether to accept the offers.



Noise levels are monitored regularly and, as the noise contours expand, further offers will be made. The Company estimates approximately 200 properties eventually will be offered noise mitigation works under the approved/consented boundaries. As it is not possible to predict accurately the rate of change in aircraft noise levels over time, nor the rate of acceptance of offers of mitigation packages to homeowners, the Company cannot accurately quantify the overall cost or timing of mitigation works.

21. Subsequent Events (For Whole Company)

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



Identified Airport Activities Reporting

22. Segment Information

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

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

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

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

The Company's top two customers represent 80% (2017: 81%) of revenue from substantial customers. This equates to \$20,563,147 (2017: \$18,358,111).

The next two largest customers represent 20% (2017: 19%) of revenue from substantial customers. This equates to \$5,086,375 (2017: \$4,220,789).



22. Segment Information (cont.)

At 30 June 2018	Specified Terminal \$000	Airfield \$000	Total \$000
External revenue			
Airport charges	11,771	15,283	27,053
Licences & aircraft parking	429	1,047	1,476
Interest revenue	6	7	13
Other gains	-	28	28
Total revenue	<u>12,206</u>	<u>16,364</u>	<u>28,570</u>
Expenses			
Operating expenses	2,498	1,835	4,334
Administration	75	151	225
Repairs & maintenance	361	207	568
Employee benefits expense	1,818	3,205	5,023
Depreciation expense	3,093	2,421	5,514
Loss on revaluation of assets	-	52	52
Amortisation	-	656	656
Finance costs	1,489	2,125	3,614
Total expenses	<u>9,333</u>	<u>10,652</u>	<u>19,986</u>
Segment profit before income tax	<u>2,873</u>	<u>5,712</u>	<u>8,585</u>
Subvention payment			-
Income tax expense			<u>2,886</u>
Profit for the year			<u>5,699</u>
Segment total assets	<u>80,257</u>	<u>114,495</u>	<u>194,752</u>
Additions of property, plant & equipment, included in segment assets	4,522	15,760	20,282
Average number of full-time staff equivalents	22	29	51

There are no significant inter-segment transactions.



22. Segment Information (cont.)

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

There are no significant inter-segment transactions.



23. Allocation Methodology used in the preparation of these statements

(a) Revenue Categories

Revenue falls into one of the following categories:

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

(b) Expenditure Categories and Allocation

Expenditure falls into one of the following categories:

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

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

(c) Allocation of Assets

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

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

(d) Allocation of Debt



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

(e) Allocation of Equity

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

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

24. Weighted Average Cost of Capital

The Company has estimated the prospective weighted average cost of capital (WACC) for its identified airport activities as at 1 July 2017, being the commencement of the current disclosure period.

The Company has applied a post-tax WACC model. The post investor tax version of the capital asset pricing model (CAPM) has been used to estimate the appropriate cost of equity capital. The debt premium has been based on the estimated margin over the 10-year Government bond yields. The yield, and therefore the cost of debt, reflects the market conditions as at 1 July 2017. This is consistent with the approach used by the Company in aeronautical pricing.

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

	2018	2017
	Parameter	Parameter
Risk free rate – 10 year Government Stock	3.23%	2.59%
Market risk premium	7.50%	7.50%
Company tax rate	28.0%	28.0%
Debt / (Debt + Equity)	25.0%	25.0%
Debt premium	2.39%	2.14%
Business risk factor (asset beta)	0.65	0.65
Calculated WACC	7.63%	7.14%

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

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

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

Where

r_D = The Company's pre-tax cost of debt.

T_c = The corporate tax rate.

D = The value of the Company's debt.

r_E = The Company's post-tax cost of equity.

E = The value of the Company's equity.

V = The Company's total enterprise value, i.e. ($V = E + D$).



25. Methodology Used to Determine Airport Charges

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

The determination setting the charges included the following key attributes:

- A long run marginal cost model (the Model) was developed in 2012 in consultation with the Company's Substantial Customers in accordance with Section 4B of the Airport Authorities Act 1966.
- The Model derives breakeven Base Aeronautical Charges for turboprop, domestic jet and international jet operations based on the Company's WACC.
- Base Aeronautical Charges fund Identified Airport Activities existing on 1 July 2012 with the exception of those activities relating to General Aviation that are funded by their own charges.
- Substantial capital expenditure that may occur during the period covered by the Model will be subject to Development Asset Charges derived by a mechanism consulted upon during the review.
- The Model is intended to operate for nine years from 1 July 2012.
- A formal review of the Model was carried out as at 1 September 2015, this review is primarily to update the base charge and the development asset charges for differences between forecast and actual levels of passenger numbers and movements in various WACC parameters. The base charge has been reviewed again in FY18 for FY19 aeronautical charges.
- In addition to the three yearly review, an annual reset is performed which updates the Development Asset (DA) Charges (capex and incremental opex). The reset involves updating passenger number forecasts, the movements in WACC parameters, actual and forecasted capital spend and any incremental opex associated with the asset. This reset has no impact on the base charge.

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

25. Schedule of Airport Charges

(a) Regular Air Transport Operations

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

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

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



(c) Landing Charge – General Aviation

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

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

(d) Landing Charge – Helicopters

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

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

(e) Aircraft Parking Charge

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

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

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



(f) Passenger Charges Regular Air Transport Operations for the period ending 30 June 2018

(i) Passenger Charge – International Jet Services

A charge of \$21.05 (excluding GST) per embarking and disembarking passenger (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service. (2017: \$20.10)

(ii) Passenger Charge – Domestic Jet Services

A charge of \$9.67 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service. (2017: \$9.41)

(iii) Passenger Charge – Domestic Turboprop Services

A charge of \$8.46 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service. (2017: \$8.23)

26. Baggage Make Up Charges

A charge of \$0.53 per departing passenger in 2018 (2017: \$0.49) is payable for use of Queenstown Airport's Baggage Make Up facility.

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

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

Where:

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

$$Y = \text{the sum of the Xs for all users of the Baggage Make Up facility.}$$

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

27. Landing Statistics

(a) Scheduled Domestic Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2018	Year to 30 June 2017
0 to 20,000	DH8C	-	-
20,001 – 26,000	ATR72	856	677
26,001 – 56,000		-	-
56,001 – 71,000	B737-300	-	-
71,001 and greater	A320 B737-800	4,970	4,528



(b) Scheduled International Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2018	Year to 30 June 2017
0 – 71,000		-	-
71,001 and greater	A320 B737-800	1,306 943	1,240 832

(c) Other Landings

Aircraft MCTOW (kg)	Year to 30 June 2018	Year to 30 June 2017
All weights	21,774	20,379

(d) Passengers

Class of Passenger	Year to 30 June 2018	Year to 30 June 2017
Passengers arriving and departing on domestic flights	1,544,225	1,360,158
Passengers arriving and departing on international flights	596,444	532,285

28. Interruptions to Services

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

(a) Planned Disruptions

Service	Number of Events		Total Duration (nearest 15mins)	
	Year to 30 June 2018	Year to 30 June 2017	Year to 30 June 2018	Year to 30 June 2017
Runway Services	-	-	-	-
Stand Position Services	-	-	-	-
Airbridge Services	-	-	-	-
Baggage Handling Services	-	-	-	-

(b) Un-planned Disruptions

Service	Number of Events		Total Duration (nearest 15mins)	
	Year to 30 June 2018	Year to 30 June 2017	Year to 30 June 2018	Year to 30 June 2017
Runway Services	1	-	75mins	-
Stand Position Services	-	-	-	-
Airbridge Services	-	-	-	-
Baggage Handling Services	-	-	-	-



INDEPENDENT ASSURANCE REPORT

TO THE DIRECTORS OF QUEENSTOWN AIRPORT CORPORATION LIMITED

REPORT ON QUEENSTOWN AIRPORT CORPORATION LIMITED'S DISCLOSURE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Queenstown Airport Corporation Limited (the company). The company is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) to prepare disclosure financial statements for the company's identified airport activities.

The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to provide a conclusion, in accordance with the Regulations, on the company's disclosure financial statements. The disclosure financial statements comprise:

- financial statements only for the identified airport activities, and not for the other activities of the company, prepared in accordance with generally accepted accounting practice; and
- additional information as specified in section 9 and Schedule 2 of the Regulations.

Unqualified Conclusion

It is our conclusion that the disclosure financial statements on pages 3 to 39 in all material respects:

- are fairly reflected, in accordance with the Regulations, and
- comply, subject to the Regulations, with generally accepted accounting practice in New Zealand.

Our work was completed on 23 October 2018. This is the date at which our conclusion is expressed.

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

Limitations and use of this report

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

The Regulations require the disclosure financial statements to include financial statements only for the company's identified airport activities, which are part of the annual financial statements and performance information that we have previously audited. Other than as expressly stated below, we have not carried out any additional procedures on the financial statements for the company's identified

airport activities since signing our audit report on the company's annual financial statements and performance information on 21 August 2018 which contained an unmodified opinion. Explanation of the scope of our audit engagement on the company's annual financial statements and performance information is contained in that audit report.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance might occur and not be detected.

Responsibilities of the Board of Directors

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

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

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

Our responsibilities

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

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

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

The Regulations require the disclosure financial statements to include financial statements for the company's identified airport activities, which are only part of the annual financial statements that we have previously audited.

The financial statements for the company's identified airport activities included in the disclosure financial statements have been extracted from the underlying accounting records of the company, and our work on them was limited to:

- Obtaining an understanding of how the company has met the requirements of the Regulations to determine its identified airport activities.

- Obtaining an understanding of how the company has determined its allocation methodology which has been used to allocate shared expenditure, assets, debt and equity balances.
- Evaluating how the allocation methodology has been applied by testing the allocation of shared expenditure, assets, debt and equity balances.
- Agreeing the amounts and disclosures in the disclosure financial statements to the company's underlying records, and to the company's audited annual financial statements and performance information, where appropriate.

We also performed procedures to obtain evidence about the amounts and disclosures in the additional information included in the disclosure financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the additional information, whether due to fraud or error or non-compliance with the Regulations. In making those risk assessments, we considered internal control relevant to the company's preparation of the additional information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

Independence and quality control

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

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

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



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