



Queenstown Airport
Corporation Limited

Annual Report for Financial Year
Ended 30 June 2013

Contents

Directory	2
Annual Report.....	3
Chairman’s Report.....	5
Chief Executive Officer’s Report	7
Directors’ Responsibility Statement.....	9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Cashflow Statement	13
Notes to the Financial Statements	14
Statement of Service Performance	32
Statement of Corporate Intent	33

Directory

BOARD OF DIRECTORS

John W Gilks (Chairman)
Alison Gerry
Grant R Lilly
James WP Hadley
Murray G Valentine (Retired 26 November 2012)
Richard G Tweedie

CHIEF EXECUTIVE OFFICER

Scott Paterson

AUDITORS

Deloitte
(on behalf of the Controller and Auditor General)
PO Box 1245
Dunedin

BANKERS

Westpac
Terrace Junction
1092 Frankton Road
Queenstown

BNZ
Queenstown Branch
11 Rees Street
Queenstown

SOLICITORS

Lane Neave
Unit 2, 582 Wairakei Road
Christchurch

Annual Report

Your Directors have pleasure in submitting the Annual Report together with the financial accounts of the Company for the year ended 30 June 2013.

1. Financial Statements

The financial statements for the Company for the year ended 30 June 2013 follow this report.

2. Principal Activities of the Company

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

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

Details of the year under review are included in the Chairman's Report.

3. Board of Directors

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

John W Gilks (Chairman)

Alison Gerry

Grant R Lilly

James WP Hadley

Murray G Valentine (retired 26 November 2012)

Richard G Tweedie

4. Results For the Year Ended 30 June 2013

Net tax paid profit for the year was \$5,279,769 compared with a profit of \$5,173,012 in the previous year.

The directors recommended on 16 August 2013 that the dividend for the year ended 30 June 2013 is \$3,639,884 (2012: \$3,586,506).

An Interim dividend of \$1,000,000 was paid to the shareholders on 31 January 2013, leaving a final dividend of \$2,639,884 to be paid on 16 August 2013, to be distributed to the shareholders as follows:

Queenstown Lakes District Council	\$1,980,177
Auckland Airport Holdings (No 2) Limited	\$659,707

Appropriation Account

Net tax paid profit of	\$5,279,769
Plus retained earnings brought forward	\$8,754,283
Dividends paid	\$(3,586,506)

Leaves retained earnings to be carried forward **\$10,447,546**

5. Directors Interests

The directors of the company entered into the following transactions during the year.

During the year Hadley Consultants Ltd, were contracted to provide consultant-engineering services at the airport.

Mr J Hadley, a director during the year, is also a director at Hadley Consultants Ltd.

The Civil Aviation Authority has regulatory oversight of Queenstown Airport Corporation Ltd as a certified airport operator. Mr G R Lilly, a director, is also a director of CAA. Appropriate arrangements are in place to manage this relationship.

During the year Trojan Holdings Ltd, were contracted to provide rubbish removal services at the airport, Mr M. G. Valentine, a director during the year, is also a director of Trojan Holdings Ltd.

All of the transactions were provided on normal commercial terms.

6. Share Dealings

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

7. Directors Remuneration

The following are particulars of Directors remuneration authorised in accordance with Section 211(1)(f) of the Companies Act 1993 from the effective date.

	2013	2012
JW Gilks	43,278	30,334
A Gerry	30,000	28,833
JW Hadley	28,000	26,833
GR Lilly	28,000	14,333
RG Tweedie	22,772	14,000
MG Valentine	10,000	33,668
	<u>\$162,050</u>	<u>\$148,001</u>

8. Remuneration of Employees

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

Bracket	2013 Number of Employees	2012 Number of Employees
\$100,000 – \$110,000	1	1
\$130,000 – \$140,000	-	1
\$150,000 – \$160,000	-	1
\$160,000 – \$170,000	1	1
\$230,000 – \$240,000	-	1
\$270,000 – \$280,000	1	-

9. Donations

The Company made no donations during the year.

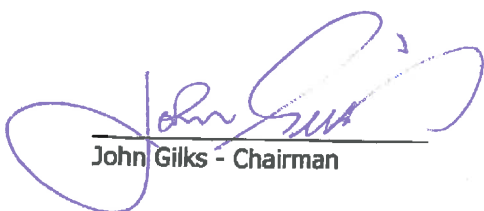
10. Use of Company Information

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

11. Auditor

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

On Behalf of the Board



John Gilks - Chairman

Chairman's Report

I am pleased to report that Queenstown Airport Corporation Limited has continued to build steadily on the successes of recent past years to deliver another solid financial result for the year ended 30th June 2013.

FINANCIAL

The Company earned a net profit after tax of \$5.3 million for the year. This compares with a profit of \$5.2 million in the previous year, an increase of 2%.

Earnings before interest, tax, depreciation and amortization (EBITDA) were strong at \$12.9 million (\$11.5 million last year).

The result reflects continuing growth in passenger movements and revenue combined with prudent management of operating expenses.

Revenue grew 7.7% from \$18.2 million last year to \$19.6 million.

Passenger numbers, which underpinned the financial performance, rose 14.5% to 1,198,918 for the financial year. Contributing to this growth international passenger numbers were particularly strong increasing by 23.8% to 241,714. Domestic passenger numbers increased by 12.4% to 957,204. The excellent growth in international passenger numbers was driven by increased flights by all four airlines operating in and out of Queenstown. Growth in domestic passenger numbers primarily resulted from the introduction of aircraft with higher seating configuration.

Capital expenditure for the year totalled \$5.7 million (\$8.6 million previous year). The principle components of this spend included: extension of the terminal to provide larger international departure facilities, a new and much larger Koru Lounge and completion of the new Hertz rental car facility.

Completion of these projects enabled the company to more efficiently manage the growth in passenger numbers. However the capital projects did result in increases in both depreciation and amortisation (up \$0.9 million) and funding costs (up \$0.3 million) reflecting a "timing lag" between project completion and securing an uplift in earnings which will flow from these projects. As a consequence of this "timing lag" the increase in net profit after tax was restricted to 2.1%.

The Company's financial position remains sound. Term debt increased by \$800,000 during the year to assist with funding capital expenditure 83% of which was funded from operating cash flow. At 30th June 2013 the Company had drawn \$20.6 million under its committed banking facility against a facility limit of \$30.0 million.

The equity ratio (total shareholders funds to total tangible assets) was 79.5% at 30th June 2013.

STRATEGIC ALLIANCE WITH AUCKLAND AIRPORT

A constructive and close working relationship exists between personnel at Queenstown Airport and its Strategic Alliance partner, Auckland International Airport. This alliance is delivering benefits exceeding initial expectations. Auckland, as the much larger airport, has a depth in resources not able to be matched by an airport the size of Queenstown and has demonstrated its ready willingness to share these resources and knowledge with Queenstown when approached to do so.

We, at Queenstown Airport Corporation, are pleased with the benefits the Strategic Alliance has delivered to date and confident about its ability to continue to create opportunities for future growth in passenger numbers, improved operating efficiencies and ultimately enhanced shareholder and community value.

DIVIDENDS

A fully imputed interim dividend of 6 cents a share (\$1.0 million) was paid on 31st January 2013.

On 16 August 2013 the Director's declared a final fully imputed dividend of 16 cents a share (\$2.6 million) for the year ended 30th June 2013.

These dividends, totalling \$3.6 million, were covered 1.5 times by the after tax earnings for the year.

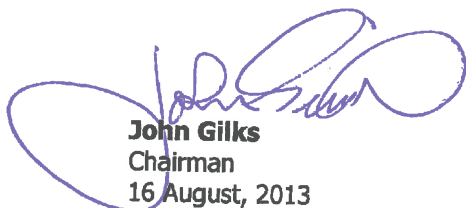
DIRECTORS AND MANAGEMENT

Murray Valentine retired from the Board in November 2012. Murray was a Director for six years and was a key contributor to the airports development and success during that period.

Simon Lange joined the Company as General Manager of Corporate Services in March this year replacing Karen Castiglione who left after having served in that position for four years.

The Board extends its thanks to Scott Paterson, our C.E.O., and his "team" at Queenstown Airport for delivering another solid financial result and successfully guiding the Company through another challenging year.

For and on behalf of the Board.



John Gilks
Chairman
16 August, 2013

Chief Executive Officer's Report

With revenue sitting at \$20 million, up from \$18 million last financial year, Queenstown Airport is reporting another strong financial performance based on increased passenger numbers and management of this growth through the delivery of timely infrastructure upgrades and efficient operations.

The double-digit passenger growth continued with the airport hosting 1,198,918 passengers, a 14.5% increase, over the previous financial year. International passenger numbers were up 23.8% and domestic passenger numbers grew 12.4%.

Over the 12 months all four airlines servicing Queenstown - Air New Zealand, Qantas, Jetstar and Virgin Australia - increased capacity (number of seats) in and out of Queenstown by 7.2%.

Increasing the number of seats by changing schedules and aircraft type meant airlines stayed nimble and were able to meet customer demand.

Air New Zealand saw an opportunity in winter to increase its capacity on its Wellington route and during summer on the Auckland service. Jetstar realigned its schedule to increase capacity on international routes and reduced its Auckland service and suspended its Christchurch service.

To help manage this increased activity and ease the terminal and airfield congestion during peak times, the airport improved facilities and infrastructure in the terminal and airside.

For example the completion of Project 2012 has delivered a 50% increase in the international departures facilities; as well as additional amenities and two new oversize baggage belts.

The increased passenger numbers directly benefited the Company's revenue line with both aeronautical and commercial activity performing well.

On the commercial front the airport initiated several major projects that will enhance the look and feel of the terminal and provide the traveller with more choice.

Expiring rental car leases and three expiring retail tenancies gave scope to refresh the look and offering within the terminal as well as improve passenger flows. The number of rental car in-terminal tenancies was reduced to six to allow for an expansion to the international arrivals area. All rental car tenants now have new fit-outs enhancing the appearance of the busy arrivals concourse. Full benefit of the new rental car concession structure will be seen next financial year.

The Remarkable Sweet Shop is the first stage of the redevelopment to enhance the retail area. Going forward our plans include adding a new food and beverage offering in time for the summer season and a new look for the existing café and bar, pre-winter 2014.

The duty free stores for departing and arriving international passengers were revamped and expanded during the year. L S Travel Retail Pacific, the duty free operator, extended its duty free store leases in return for an undertaking of a major refit and expansion of its duty free product range. We are delighted that these Queenstown Airport duty free stores are the first in Australasia to trade under the *Aelia Duty Free* brand.

Car parking revenue continues to provide good returns and was boosted with the introduction of long-term parking, a facility provided in response to public demand.

As well as meeting current demand the airport team continues to focus on preparing for future growth. The key is progressing the amendment to the District Planning processes for the extension of the Airport's noise boundaries (PC35), advancement of which has been halted until the Environment Court makes a decision on the matter known as Lot 6 (the extension of the Airport Designation on to neighbouring land to allow for a new aeronautical precinct, and to free up land for a terminal extension). It is hoped that decisions on both matters can be made promptly.

The airport has a role in growing future demand, by continuing to help build tourism to the Southern Lakes region through route development and strengthening airline relationships. Encouraging airlines to increase routes and schedules through joint marketing campaigns; and promoting key events such as the NZ PGA and Winter Festival will all contribute to building Queenstown and the Airport as a popular destination.

The best route development opportunity continues to be securing evening flights. While airlines need to gain approval from CAA for non-daylight operations, we are working collaboratively on understanding what airport infrastructure would be needed to facilitate such operations.

The Airport is committed as a supporter of the Queenstown community. It renewed its sponsorship of the Queenstown Coastguard and became a major sponsor of the Queenstown Memorial Hall refurbishment – a facility that many residents will use and enjoy.

Technology advances by airlines and Airways, the provider of air traffic control, has seen the introduction of a new airport Air Management System (AMS) and all jet aircraft being Required Navigation Performance (RNP) compliant by end of June 2013. All developments mean safer and more efficient flying as well as reductions in the number of delays and disruptions due to bad weather.

General Aviation is a key part of the make up of Queenstown Airport and has had a strong year and is growing. Corporate Jets were plentiful and at several points during the year bookings were turned down due to the lack of stand space. We are working hard to secure land for a new aviation precinct that will allow both general aviation and corporate jet activity to flourish at Queenstown Airport.

In the next 12 months the airport team will continue to focus on providing a great passenger experience. The key will be the progression of the Airport master plan and what and when we need to build infrastructure to meet the projected growth in passenger numbers. At the same time we will be working hard to get the best return and use of current facilities and systems.

Its been a good year again and I would like to thank the airport team and the wider airport community for their dedication to provide our passengers the best service available.



Scott Paterson
Chief Executive Officer
16 August, 2013

Directors' Responsibility Statement

The Directors of Queenstown Airport Corporation Limited are pleased to present the Annual Report and Financial Statements for Queenstown Airport Corporation Limited for the year to 30 June 2013.

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 2013 and the results of operations and cash flows for the year ended on that date.

The Directors consider the Financial Statements of the Company have been prepared using accounting policies that have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.


The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the Financial Statements with the Financial Reporting Act 1993.

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 2013 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Board by:


Director


Director
16 August, 2013

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2013

	Notes	2013 \$	2012 \$
Income			
Revenue	2 (a)	19,573,633	18,203,971
Other gains/(losses)	2 (a)	(6,731)	(10,533)
Total income		19,566,902	18,193,438
Expenditure			
Operating Expenses	4	4,647,307	4,886,099
Employee benefits expense	2(b)	1,996,487	1,777,825
Total operating expenditure		6,643,794	6,663,924
Operating earnings before interest, taxation, depreciation and amortisation		12,923,108	11,529,514
Depreciation	2(c)	4,148,348	3,248,747
Amortisation		37,484	11,445
Operating earnings before interest and taxation		8,737,276	8,269,322
Finance costs	2(d)	1,349,508	1,028,599
Profit before income tax		7,387,768	7,240,723
Income tax expense	3(a)	2,107,999	2,067,711
Profit for the year		\$5,279,769	\$5,173,012
Other comprehensive Income			
Gain/(loss) on cash flow hedging taken to reserves	6	785,387	(1,163,648)
Income tax relating to components of other comprehensive income	3(b)	(219,909)	325,730
Other comprehensive income for the year net of tax		565,478	(837,918)
Total comprehensive income for the year, net of taxation		\$5,845,247	\$4,335,094

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	16 (a)	77,025	223,244
Trade and other receivables	5	1,737,675	1,349,068
Prepayments		37,383	18,344
Total current assets		1,852,083	1,590,656
Non-current assets			
Property, plant and equipment	7	149,350,357	147,981,253
Derivatives	6	37	6,768
Intangible assets	8	2,421,500	2,205,801
Total non-current assets		151,771,894	150,193,822
Total assets		153,623,977	151,784,478
Current liabilities			
Trade and other payables	9	1,817,455	2,589,017
Income in advance		23,950	26,033
Employee entitlements	10	163,738	181,368
Current tax payable		870,311	97,955
Total current liabilities		2,875,454	2,894,373
Non-current liabilities			
Borrowings (secured)	11	20,613,000	19,810,000
Derivatives	6	1,206,264	1,991,651
Deferred tax liabilities	3(c)	6,365,520	6,783,456
Total non-current liabilities		28,184,784	28,585,107
Total liabilities		31,060,238	31,479,480
Net assets		\$122,563,739	\$120,304,998
Equity			
Share capital	12	37,657,382	37,657,382
Retained earnings		10,447,546	8,754,283
Asset revaluation reserve	13	74,988,190	74,988,190
Cash flow hedge reserve	13	(529,379)	(1,094,857)
Total equity		\$122,563,739	\$120,304,998

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2013

	Ordinary shares	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
At 1 July 2012	37,657,382	74,988,190	(1,094,857)	8,754,283	120,304,998
Profit for the period	-	-	-	5,279,769	5,279,769
Other comprehensive income	-	-	565,478	-	565,478
Total comprehensive income for the period	-	-	565,478	5,279,769	5,845,247
Transactions with owners in their capacity as owners					
Shares issued	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-
Dividends paid	-	-	-	(3,586,506)	(3,586,506)
At 30 June 2013	\$37,657,382	\$74,988,190	\$(529,379)	\$10,447,546	\$122,563,739

	Ordinary shares	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
At 1 July 2011	37,657,382	74,988,190	(256,939)	7,869,331	120,257,964
Profit for the period	-	-	-	5,173,012	5,173,012
Other comprehensive income	-	-	(837,918)	-	(837,918)
Total comprehensive income for the period	-	-	(837,918)	5,173,012	4,335,094
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(4,288,060)	(4,288,060)
At 30 June 2012	\$37,657,382	\$74,988,190	\$(1,094,857)	\$8,754,283	\$120,304,998

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the financial year ended 30 June 2013

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		19,017,790	17,285,759
Interest received		-	6,508
Payments to suppliers and employees		(6,575,862)	(4,532,066)
Interest paid		(1,333,837)	(1,028,599)
Income tax paid (net)		(1,973,497)	(2,049,302)
Net cash inflow/(outflow) from operating activities	16 (b)	<u>9,134,594</u>	<u>9,682,300</u>
Cash flows from investing activities			
Proceeds from sale of land		-	-
Proceeds from sale of plant and equipment		-	-
Purchase of property, plant and equipment		(6,244,123)	(8,924,682)
Purchase of intangible Assets		(253,184)	(942,104)
Net cash inflow/(outflow) from investing activities		<u>(6,497,307)</u>	<u>(9,866,786)</u>
Cash flows from financing activities			
Net proceeds from issue of shares		-	-
Net proceeds from borrowings/(repayments)		803,000	4,210,000
Dividends paid to equity holders of the parent		(3,586,506)	(4,288,060)
Net cash inflow /(outflow) from financing activities		<u>(2,783,506)</u>	<u>(78,060)</u>
Net increase/(decrease) in cash and cash equivalents		(146,219)	(262,546)
Cash and cash equivalents at the beginning of the financial year		<u>223,244</u>	<u>485,790</u>
Cash and cash equivalents at the end of the financial year	16(a)	<u><u>\$77,025</u></u>	<u><u>\$223,244</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2013

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993, the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments and certain items of property, plant and equipment (see note 1 (i)). Historical cost is based on the fair values of the consideration given in exchange for assets.

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

(b) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities that qualify for differential reporting concessions.

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

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

(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 discounts and GST.

(i) Rendering of services

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

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

(ii) Rental income

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

(iii) Interest revenue

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

(iv) Sale of property, plant and equipment

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

(d) Leases

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

(i) Company as a lessee

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

(ii) Company as a lessor

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

(e) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the comprehensive balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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

(f) 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) 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

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.

The Company holds derivative contracts that do not qualify for hedge accounting.

Loans and Receivables

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

Impairment of Financial Assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss for the year.

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

(ii) Financial Liabilities

Trade & Other Payables

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

Borrowings

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

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

(iii) Derivative Financial Instruments

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

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

(iv) Hedge Accounting

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

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

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

Cash flow hedges

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

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

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

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

(i) Property, Plant and Equipment

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

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

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

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

Revaluations

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

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

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

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

Fair Value

Land holdings and buildings were independently valued by Seagar & Partners, registered valuers, as at 30 June 2010 to fair value. The runway was independently valued by Beca Valuations Limited (Beca), registered valuers, as at 30 June 2010 to fair value. Acquisitions subsequent to 30 June 2010 are at cost.

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.

To arrive at fair value the valuers used different approaches for different asset groups. The following table summarises the valuation approach:

Asset	Valuation Approach
Terminal Building	Optimised depreciated replacement costs
Fire Building	Optimised depreciated replacement costs
Runway & Aprons	Optimised depreciated replacement costs
Land	Direct comparison/Market Value

Depreciation

Depreciation is provided on a diminishing value (DV) basis for all assets except runways so as to write-off the carrying value cost of each asset to its estimated residual value over its estimated useful life. The runway is 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
Operational Assets		
Land Improvements	1.0%	SL
Buildings	2.5-33.0%	DV
Runway	1.67-20.0%	SL
Plant and Equipment	25.0%	DV
Motor Vehicles	26.0%	DV
Furniture	33.0%	DV
Rescue Fire	10.0-33.0%	DV
Roading & Car-parking	4.8-26.4%	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.

(j) Intangible Assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over the assessed estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for prospectively.

(k) 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.

(l) Employee Benefits

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

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

(m) Standards and interpretations effective in the current period

There are a number of standards and interpretations on issue but not effective. None of these are expected to have any impact on QAC (either from a recognition or a disclosure perspective). The New Zealand Financial Reporting Framework is changing and the differential reporting framework is being withdrawn. The Company is expected to be able to make use of the NZ IFRS Reduced Disclosure Regime. The impacts of this are currently being considered by the Company, but are expected to require changes to both recognition and disclosures.

2. Surplus from Operations

(a) Revenue

	2013	2012
	\$	\$
Revenue consisted of the following items:		
Revenue from rendering of services:		
Passenger / Landing Charges	12,226,223	8,500,284
Car Park Revenue	1,982,944	1,669,987
Departure Levy	-	1,854,188
Total revenue from rendering of services	14,209,167	12,024,459
Operating lease rental revenue	4,498,906	5,078,957
Interest Revenue:		
Bank deposits	-	11
Inland Revenue Department	-	5,608
Other	-	889
Total interest revenue	-	6,508
Other revenue	865,560	1,094,047
Total Revenue	\$19,573,633	\$18,203,971
Other gains/(losses):		
Net change in fair value of derivative financial instruments classified at fair value through profit or loss (forward exchange contracts and options)	(6,731)	(10,533)
Total other	\$(6,731)	\$(10,533)
(b) Employee Benefits Expense		
Salaries and wages	1,834,437	1,629,825
Directors fees	162,050	148,000
	\$1,996,487	\$1,777,825
(c) Depreciation		
Land Improvements	118,998	99,994
Buildings	1,278,923	1,260,130
Roading & Carparking	399,526	402,594
Plant and equipment	664,430	477,178
Runway	1,037,460	808,017
Motor vehicles	10,873	2,236
Furniture	488,145	53,451
Rescue fire	149,993	145,147
Total Depreciation	\$4,148,348	\$3,248,747

	2013	2012
	\$	\$
(d) Finance Costs		
Interest on borrowings	\$1,349,508	\$1,028,599

3. INCOME TAXES

(a) Income Tax Recognised in Profit or Loss

Tax expense/(income) comprises:

Current tax expense/(credit):		
Current year	2,426,075	1,931,548
Adjustments for prior years	319,778	-
	2,745,853	1,931,548
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(302,055)	128,674
Deferred tax relating to future non depreciation of buildings for tax purposes	-	15,538
Adjustment for prior year	(335,799)	(8,049)
Total deferred tax (credit) /expense	(637,854)	136,163
Total tax expense	\$2,107,999	\$2,067,711

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	7,387,768	7,240,722
Income tax expense calculated at 28%	2,068,575	2,027,402
Adjustment for prior years	(16,021)	(8,048)
Deferred tax relating to future non depreciation of buildings for tax purposes	-	15,538
Other	55,445	32,819
Income tax expense	\$2,107,999	\$2,067,711

(b) Income Tax Recognised Directly In Other Comprehensive Income

Deferred tax of \$219,909 (2012: \$325,730) has been charged directly to other comprehensive income during the period, relating to the fair value movement of derivative financial instruments.

(c) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

2013	Opening balance	Charged to profit for the year	Charged to other comprehensive income	Closing balance
Gross deferred tax assets/(liability):				
Property, plant and equipment	(7,084,398)	438,902	-	(6,645,496)
Intangible assets	(290,724)	153,386	-	(137,338)
Employee benefits	20,004	30,917	-	50,921
Derivatives	557,662	-	(219,919)	337,743
Trade and other payables	14,000	14,650	-	28,650
	<u>\$(6,783,456)</u>	<u>\$637,855</u>	<u>\$(219,919)</u>	<u>\$(6,365,520)</u>

2012	Opening balance	Charged to profit for the year	Charged to other comprehensive income	Closing balance
Gross deferred tax assets/(liability):				
Property, plant and equipment	(7,173,919)	89,521	-	(7,084,398)
Intangible assets	(92,553)	(198,171)	-	(290,724)
Employee benefits	66,359	(46,355)	-	20,004
Derivatives	227,088	4,844	325,730	557,662
Trade and other payables	-	14,000	-	14,000
	<u>\$(6,973,025)</u>	<u>\$(136,161)</u>	<u>\$325,730</u>	<u>\$(6,783,456)</u>

(d) Imputation Credit Account Balances

	2013	2012
	\$	\$
Balance at beginning of year	5,491,109	4,855,747
Income tax paid	2,852,222	2,044,526
Resident withholding tax paid	-	4
Income tax refunded	-	-
Tax credits relating to dividend payment	(1,337,396)	(1,409,168)
Balance at end of year	<u><u>\$7,005,935</u></u>	<u><u>\$5,491,109</u></u>

	2013	2012
	<u>\$</u>	<u>\$</u>
4. Operating Expenses		
Repairs & Maintenance	530,606	488,953
Legal	136,710	208,159
Consultants	732,238	351,915
Planning	66,312	100,709
Administration	345,908	457,773
Marketing, communication & Promotion	333,965	483,426
Insurance	278,149	250,000
Rates	175,342	160,462
Energy	430,621	376,199
Accounting and taxation service	217,718	121,517
Services	513,013	531,961
Audit fees for disclosure financial statements	56,120	58,669
Audit fees for financial statement audit	45,230	30,700
Other	785,375	1,265,656
Total Operating Expenses	<u>\$4,647,307</u>	<u>\$4,886,099</u>

The auditor of Queenstown Airport Corporation Limited for and on behalf of the Office of the Auditor-General, is Pat Heslin of Deloitte.

	2013	2012
	<u>\$</u>	<u>\$</u>
5. Trade & Other Receivables		
Trade and other receivables	1,737,675	1,349,068
Allowance for doubtful debts	-	-
Total Trade & Other Receivables	<u>\$1,737,675</u>	<u>\$1,349,068</u>

6. Derivatives

Derivative financial assets/(liabilities);

Interest rate swap (i) (effective)	(1,206,264)	(1,991,651)
Interest rate option (ii) (not designated)	37	6,768
	<u>\$(1,206,227)</u>	<u>\$(1,984,883)</u>

Interest bearing loans of the Company currently bear an average variable interest rate of 3.8%. In order to protect against rising interest rates the Company has entered into interest rate swap and option contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

Interest rate swaps in place cover approximately 73% of the principal outstanding. The fixed interest rates range between 4.735% and 6.075% (2012: 4.735% and 6.075%). 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.

The Company holds an interest rate option for \$10,000,000 which is effective from 1 January 2013 at a rate of 7%. The interest rate option is not part of a designated hedge relationship and therefore movements are recognised in the profit or loss.

7. Property, Plant and Equipment

	Cost/ Valuation \$	2013 Accumulated Depreciation \$	Net Book Value \$
Land	78,239,177	-	78,239,177
Land Improvements	10,326,241	245,917	10,080,324
Buildings	35,539,260	3,826,164	31,713,096
Roading & Car Parking	6,281,645	1,224,669	5,056,976
Plant & Equipment	4,349,920	2,318,873	2,031,047
Runway	20,919,725	2,514,155	18,405,570
Motor Vehicles	97,568	48,865	48,703
Furniture	3,559,560	942,423	2,617,137
Rescue Fire	2,178,306	1,019,979	1,158,327
Total Property, Plant & Equipment	<u>\$161,491,402</u>	<u>\$12,141,045</u>	<u>\$149,350,357</u>

	Cost/ Valuation \$	2012 Accumulated Depreciation \$	Net Book Value \$
Land	76,066,256	-	76,066,256
Land improvements	10,197,925	126,919	10,071,006
Buildings	34,983,348	2,547,241	32,436,107
Roading & Car Parking	6,255,912	825,143	5,430,769
Plant & Equipment	4,115,494	1,654,443	2,461,051
Runway	21,583,401	1,476,695	20,106,706
Motor Vehicles	44,355	37,992	6,363
Furniture	564,399	454,278	110,121
Rescue Fire	2,162,860	869,986	1,292,874
Total Property, Plant & Equipment	<u>\$155,973,950</u>	<u>\$7,992,697</u>	<u>\$147,981,253</u>

The carrying value of the asset categories above includes work in progress.

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

8. Intangible Assets

Intangible assets represent costs incurred in relation to District Planning processes for extension of the noise boundaries and amendments to the flight fans and are amortised on a straight line basis over 15 years from the date they are completed and ready to use.

	2013 \$	2012 \$
Cost		
Opening balance	2,246,815	1,304,711
Additions from internal developments	253,183	942,104
Total cost closing balance	<u>2,499,998</u>	<u>2,246,815</u>
Accumulated amortisation		
Opening balance	41,014	29,568
Amortisation expense	37,484	11,446
Total accumulated amortisation	<u>78,498</u>	<u>41,014</u>
Carrying Value	<u>\$2,421,500</u>	<u>\$2,205,801</u>

9. Trade & Other Payables

	2013 \$	2012 \$
Trade payables	653,865	1,591,391
Other creditors and accruals	1,163,590	997,626
Total trade and other payables	<u>\$1,817,455</u>	<u>\$2,589,017</u>

10. Employee Entitlements

Accrued salary and wages	53,878	109,924
Annual leave	109,860	71,444
Total employee entitlements	<u>\$163,738</u>	<u>\$181,368</u>

11. Borrowings

Westpac Bank borrowings (secured)	20,613,000	19,810,000
Disclosed in the financial statements as:		
Current	-	-
Non-current	20,613,000	\$19,810,000
Total current and non-current borrowings	<u>\$20,613,000</u>	<u>\$19,810,000</u>

The Company has a secured facility with Westpac of \$30 million. The Company may draw funding for terms ranging from call to eighteen months.

The Westpac loan is secured by a general security agreement over the Company's assets, undertakings and uncalled capital. The weighted average interest rate on the term loan at balance date was 3.8% (2012: 4%)

During the current year, there were no default breaches on the Company's banking facility.

12. Share Capital

	2013 No.	2012 No.	2013 \$	2012 \$
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	16,060,365	16,060,365	37,657,382	37,657,382
Issue of shares	-	-	-	-
Balance at end of year	<u>16,060,365</u>	<u>16,060,365</u>	<u>\$37,657,382</u>	<u>\$37,657,382</u>

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

	2013	2012
	\$	\$
(b) Dividends Paid		
Final Dividend – \$0.1610 per share	2,586,506	3,288,060
Interim Dividend – \$0.0622 per share	1,000,000	1,000,000
Total Dividend Paid	<u>\$3,586,506</u>	<u>\$4,288,060</u>

On 31st January 2013 an interim dividend of \$0.0622 cents per share (total dividend of \$1,000,000) was paid to holders of fully paid ordinary shares.

On 22nd August 2012 a final dividend of \$0.1610 cents per share (total dividend of \$2,586,506) was paid to holders of fully paid ordinary shares.

13. Reserves

Asset revaluation reserve

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

Cash flow hedge reserve

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

14. Commitments for Expenditure

	2013	2012
	\$	\$
(a) Capital Expenditure Commitments		
Committed for acquisition of property, plant and equipment	<u>\$725,461</u>	<u>\$3,434,380</u>
(b) Company as Lessee; Operating Lease Commitments		
Non-cancellable operating lease payments		
Not longer than 1 year	16,284	24,323
Longer than 1 year and not longer than 5 years	46,138	24,293
Total company operating lease commitments	<u>\$62,422</u>	<u>\$48,616</u>
(c) Company as Lessor; Operating Lease Rental		
Less than 12 months	3,866,834	2,556,977
1-5 years	12,006,513	5,766,861
5 years +	5,986,161	3,305,050
Total company as lessor, operating lease rental	<u>\$21,859,508</u>	<u>\$11,628,888</u>

15. Related Party Disclosures

(a) Parent Entity

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

(b) Transactions with Related Parties

Related parties of the Company are:

- Queenstown Lakes District Council (QLDC) – Shareholder
- Auckland International Airport Ltd (AIAL) - Shareholder
- Lakes Environmental Ltd – wholly owned by QLDC
- Lakes Leisure Limited – wholly owned by QLDC
- MG Valentine – Director – Trojan Holdings Ltd
- MG Valentine – Director – Alpine Deer Group Ltd
- J Hadley – Director – Hadley Consultants Ltd
- G. Lilly – Director - CAA

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

	2013	2012
	\$	\$
<u>Queenstown Lakes District Council</u>		
Rates	(258,933)	(227,155)
Resource Consent costs	(201,863)	(258,082)
Computer Equipment & Support	-	-
Consultants	-	(39,935)
Parking Infringement Recovery	14,870	15,629
Wanaka Airport Management Fee	70,000	70,000
<u>Lakes Environmental Ltd</u>		
Resource Consent costs & Collection Fees	(31,533)	(41,252)
<u>Trojan Holdings Limited</u>		
Rubbish removal services	(51,503)	(52,889)
Rent & Recovered Expenses Received	37,749	37,466
<u>Alpine Deer Group Limited</u>		
Landing Revenue	2,166	-
<u>Lakes Leisure Ltd</u>		
Rescue Fire Training	-	(2,600)
<u>G Lilly – Directors – CAA</u>		
CAA	(3,489)	7,621
Lakes Leisure's netball courts and six holes of the Frankton golf course managed by Lakes Leisure are located on the QAC land to the north west of the runway.		
Negotiations between Lakes Leisure Ltd and QAC for the lease of the land are continuing. Revenue from this arrangement amounted to \$25,000 (2012\$Nil).		
QAC holds a bond with Westpac for \$150,000 in favour of QLDC relating to a resource consent to extract gravel and carry out remediation work on land (RM090321). The bond will be discharged once the work is complete.		
QAC receives services, including Human Resources, from Auckland International Airport Ltd for which no consideration is paid.		
<u>Hadley Consultants Limited</u>		
Consultant Engineering Services	(12,925)	(59,694)
<u>Auckland International Airport</u>		
Secondment Costs	-	(21,953)
Recovery of Sponsorship	-	3,922
The following amounts were receivable from related parties at balance date:		
Trojan Holdings Ltd	-	-
Queenstown Lakes District Council (Wanaka Airport Management Fee)	17,500	17,500
The following amounts were payable to related parties at balance date:		
Trojan Holdings Ltd	-	4,786
Lakes Environmental Ltd	-	12,776
Auckland Airport	-	2,643
QLDC	-	36,328
CAA	1,085	-

16. Notes to the Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Statement of Financial Position as follows:

	2013	2012
	\$	\$
Cash and cash equivalents	16,169	11,391
Bank account /(overdraft)	60,856	211,853
Total cash and cash equivalents	\$77,025	\$223,244

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

Profit for the year	5,279,769	5,173,012
Add/(less) non-cash items:		
Amortisation	37,484	11,445
Depreciation	4,148,348	3,248,747
Net change in fair value of derivative financial instruments	6,731	10,533
	4,192,563	3,270,725
Changes in assets and liabilities:		
Increase in Trade and other receivables	(388,607)	473,767
Increase in Prepayments	(19,040)	29,577
Increase in Current tax payable	772,356	(117,845)
Decrease in Trade and other payables	(991,798)	(447,904)
Decrease in Income in advance	(2,083)	(92,191)
Decrease in Employee entitlements	(17,630)	25,655
Decrease in Deferred tax liability	(417,936)	136,254
Movement in items reclassified as investing and financing activities	727,000	1,231,250
Net cash inflow from operating activities	\$9,134,594	\$9,682,300

17. Financial Instruments

(a) Capital Risk Management

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

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

(b) Categories of Financial Instruments

	2013	2012
	<u>\$</u>	<u>\$</u>
Financial Assets		
Cash and cash equivalents	77,025	223,244
Trade and other receivables	1,737,675	1,349,068
Other financial assets	37	6,768
Financial Liabilities		
Trade and other payables	1,817,455	2,589,017
Borrowings	20,613,000	19,810,000
Other financial liabilities	1,206,264	1,991,651
Current tax payable	870,311	97,955

All financial assets and liabilities are recognised at amortised cost except other financial assets and liabilities which are recognised at fair value through profit for the year.

18. Subsequent Events

On 16 August 2013 the Board resolved to pay a dividend of \$0.1643 per share, resulting in a total dividend payment of \$2,639,884.

19. Contingent Liabilities & Contingent Assets

The LOT 6 outcome is uncertain. Costs relating to LOT 6 are being capitalised. If the decision is unfavourable for QAC then all costs will need to be expensed.

Statement of Service Performance

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

Goals

- To provide a quality of service to its customers and take all reasonable steps to enhance safety wherever possible.
- To continue operating the Company as a successful business and in an effective and efficient manner maximising the return on funds invested in the medium and long term.
- To expand, maintain and plan the facilities at the Airport to allow for full domestic and trans-Tasman operational capability of aircraft types currently in use, and likely to be in use in the foreseeable future, by New Zealand's major domestic airlines and international airlines likely to operate here.
- To promote Lake District's tourism, commercial and non-commercial air travel and maximise the usage of the Airport facilities.
- To seek and develop profitable business opportunities that make best use of the people, technical and financial resources of the Company.
- To act as a good employer by providing equal employment opportunities, good and safe working conditions as well as opportunities for individual career development.
- To act as a good corporate citizen in regard to the needs of the greater Lakes District Community and the environment.
- To act as a 'responsible neighbour' to the adjacent residential areas.

Objectives

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

Statement of Corporate Intent

Objectives: Provide suitable airfield and terminal facilities for satisfactory trans-Tasman and domestic operations which satisfy our customers' needs

Measurable

Maintain IATA Service Level C.
 Plan and construct facilities based on forward aviation requirements & passenger projections in conjunction with effective & efficient capacity planning.
 Particularly, through 2012/13 some incremental expansion of Terminal facilities to cater for peak winter and summer periods.
 Survey airport customers & users.
 Consideration of feedback and incorporation into future planning.

Work Completed

IATA Service Level C was maintained. CAA audits were completed and all improvements carried. Internal audits occur regularly.
 Project 2012 was completed and delivered a 50% increase in the international departures facilities; addition of new toilet facilities, and two new oversize baggage belts. Additional airside space was created for MPI screening of arriving international passengers.
 A review of the Airport's Terminal capacities was initiated.
 Expiring tenancies in the terminal have provided opportunities to revamp the look, feel and passenger flows through the terminal. Implementation of the changes commenced in 2012/13 and will continue throughout the 2013/14 financial year.
 Survey completed and initiatives underway to make improvements.

Objective: Maximise the Airport's existing operating hours to maximise the utilisation of its assets	
Measurable	Work Completed
Work with Airlines to schedule and utilise the available assets.	Slot co-ordination has improved capacity management. Changes in airspace management by Airways has increased the number of scheduled aircraft that can land at Queenstown in any given hour.
Work with Airlines to introduce evening flights and non-daylight operations.	Air NZ introduced evening flights through summer utilising the extended daylight. The Airport continues to be restricted to daylight flights.
Objective: Provide suitable land transport options for access to and from the Airport	
Measurable	Work Completed
Provide suitable facilities for public and commercial transport options.	Taxi and shuttle operators were re-licensed during the year. Long term parking options were introduced.
Objective: Promote regional planning measures designed to ensure the mission and goals of QAC can be achieved	
Measurable	Work Completed
Remain watchful and active in surrounding land developments, and plan changes that may conflict with the Airport.	QAC is party to the PC19 Court Cases that seeks to define future land uses in the Frankton Flats. Work has commenced internally ahead of the QLDC District Plan review.
Achieve planning that is consistent with airport operations driven by the 2037 Master Plan.	The compulsory acquisition of Remarkables Park Limited land on the south side of the runway is ongoing. An Environment Court decision on the Notice of Requirement designated approximately 8ha. QAC believe up to 16ha is necessary for the safe and efficient functioning of the Airport into the future and have appealed the Environment Court decision to the High Court.
Progress Noise Boundary Plan Change (PC35) to inclusion in the District Plan.	PC35 (Noise Boundaries) awaits a final Court decision.

Objective: Ensure appropriate communication exists between the QAC, the community and its elected representatives by way of an ongoing public information service and the holding of regular open meetings with a liaison group comprising community group representatives, interested individuals, airport users, etc. while continuing existing reporting systems

Measurable

Establish a Community Liaison group.

QAC Environmental Meeting.

Reporting to Shareholders 6 monthly.

Annual Review Document, Annual Report, and Disclosure Document.

ZQN Newsletter, and media releases.

Work Completed

The establishment of a Community Liaison Group is pending finalisation of PC35.

Community briefings are undertaken by QAC's CEO involving presentations to local community groups.

The Mayor attends Board meetings as an observer. Briefings are provided to Council including presentation of the 6 month and full year results.

The website contains information on the Airport and its performance include the Annual Report, Annual Review, monthly passenger statistics and bi-monthly newsletters.

QAC remains proactive at promoting the growth of business operations at Queenstown Airport.

Objective: Manage the noise impact of the Airport in accordance with the District Plan taking into account the surrounding residential and business areas

Measurable

Noise monitoring to ensure compliance required by the District Plan.

Manage noise to mitigate impact – liaise through traffic management where possible.

Work Completed

All work on noise monitoring is on hold awaiting the outcome of the PC35 Environment Court case.

Objective: Promote environmental sustainability and minimise airport impact on the environment	
<p>Measurable</p> <p>Maintain and continue to support recycling and adhere to waste awareness policy. Establish targets for diversion from landfill.</p> <p>Progress requirements to become carbon neutral. Establish measure(s) of base energy use to allow improvement initiatives to be measured.</p>	<p>Work Completed</p> <p>The employment of a Maintenance Engineer has provided QAC the resources to be more proactive with its environmental sustainability initiatives. Energy usage is better measured and we expect to see a downward trend in usage in the 2013/14 financial year. Water usage was added as a focus during the year with the introduction of water meters now allowing QAC to measure usage.</p> <p>QAC does not measure recycle and rubbish volumes per se, however, the frequency of rubbish collections have decreased year on year, as have the costs.</p> <p>Individual actions include:</p> <ul style="list-style-type: none"> • Used fluorescent tubes are stored before being sent for mercury vapour re-capture • Continue rollout of high efficiency hand dryers into washrooms to reduce paper consumption. • Occupancy sensors have been fitted to washrooms. • Refitting ceiling insulation disturbed during terminal expansions • Improving airflows within the terminal for heating efficiencies. • Investigating options to use redundant heat in the boiler and thereby reduce electrical loads.
Objective: Manage Risk	
<p>Measurable</p> <p>Further development of the risk management framework within the Company leading towards best practice risk management appropriate for the size and scale of the organisation.</p>	<p>Work Completed</p> <p>A Risk management framework has been developed and key risks identified. Work continues on operationalising our risk management processes. Health & Safety is a continual focus. There were zero harm incidents of QAC staff or contractors during the year.</p>

	<p>Objective: Continue to work with strategic alliance partner, Auckland International Airport Limited (AIAL)</p>
<p>Measurable</p>	<p>Work Completed</p> <p>Passenger targets set down in the initial strategic alliance document have been achieved. The alliance focus is now on AIAL inputs to QAC's operating success and have included:</p> <ul style="list-style-type: none"> • Joint rescue fire training • Involvement in AIAL emergency exercises and attending aircraft manufacturer briefings • Assistance with procurement • Advice on retail opportunities and assistance with running retail tendering.
<p>Objective: Achieve targeted financial forecasts</p>	
<p>Measurable</p>	<p>Work Completed</p> <p>See financial forecasts below.</p>
<p>See financial forecasts.</p>	

Objective: Achieve Financial Forecasts

Year Ended 30 June	Forecast 2013 (\$000's)	Actual 2013 (\$000's)	Variance 2013 (\$000's)
Total Revenue	18,046	19,567	1,521
Total Operating Expenditure	4,843	6,644	1,801
Operating Cashflow (EBITDA)	13,203	12,923	-280
Interest expense	1,701	1,350	-351
Depreciation & Amortisation	3,827	4,186	359
Profit Before Tax	7,675	7,387	-288
Profit After Tax	5,341	5,280	-61
Total Liabilities	39,341	31,060	-8,281
Total Shareholder's Funds (Exc Revaluations)	121,976	122,564	588
Total Assets ¹	161,317	153,624	-7,693
Shareholder's Funds to Total Assets	75.6%	79.8%	-
Net Profit After Tax to Average Shareholder's Funds	4.4%	4.3%	-
Dividends	3,638	3,587	-51
Capital Expenditure	13,391	6,244	-7,147
Total Closing Debt ¹	27,329	20,613	-6,716
Net Drawdown/(Repayment of) Debt	7,871	803	7,068
Domestic Pax 000	930	957	27
International Pax 000	211	242	31
Total Pax 000	1,141	1,199	58

Notes

1. Difference between total liabilities and total debt comprises short term liabilities and deferred tax.

Assessment of Actual vs Forecast Financial Performance

The Forecasts set out in the table above are prepared in the Company's Statement of Corporate Intent six months in advance of the start of the financial year. At that time, the Company does not have confirmed airlines schedules for the financial year and the Forecast is the Company's best estimate only.





INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

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

We have audited:

- the financial statements of the company on pages 10 to 31, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 32 to 39.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company on pages 10 to 31:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the company's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date;
- the performance information of the company on pages 32 to 39:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2013.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 16 August 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance

about whether the financial statements and performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.



Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

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

Other than the audit and the provision of limited taxation compliance services and assistance with annual report presentation, we have no relationship with or interests in the company.

A handwritten signature in blue ink, appearing to read "P.F. Heslin", with the word "Deloitte" written below it in a smaller, cursive script.

P.F. Heslin
DELOITTE
On behalf of the Auditor-General
Dunedin, New Zealand