Queenstown Airport Corporation Limited

Disclosure Financial Statements for the Year Ended 30 June 2013

Queenstown Airport Corporation Limited
Identified Airport Activities
Disclosure Financial Statements

Contents

Directors Report

The Directors have pleasure in presenting the Disclosure Financial Statements of Queenstown Airport Corporation Limited (the Company) for the year ended 30 June 2013. These statements present the results of the aeronautical operations 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.

1. Board of Directors

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

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

2. Principal Activities of the Company

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

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

For and on behalf of the Board

……………………………….. ……………………………….. ………………………………..
Director Director Date

Queenstown Airport Corporation Limited
Identified Airport Activities
Disclosure Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 30 June 2013

	Notes	2013 $	2012 $
Income			
Revenue	3 (a)	13,217,616	12,543,892
Other gains/(losses)	3 (b)	(6,731)	(17,484)
Total income		**13,210,885**	**12,526,408**
Expenditure			
Operating Expenses	5	3,634,436	3,632,363
Employee benefits expense	3(c)	1,370,294	1,260,002
Total operating expenditure		5,004,730	4,892,365
Operating earnings before interest, taxation, depreciation and amortisation		**8,206,155**	**7,634,044**
Depreciation	3(d)	3,289,805	2,640,286
Amortisation		37,484	11,445
Operating earnings before interest and taxation		**4,878,866**	**4,982,311**
Finance costs	3(e)	1,880,273	1,571,283
Profit before income tax		**2,998,593**	**3,411,028**
Income tax expense	4(a)	921,008	894,531
Profit for the year		**2,077,585**	**2,516,497**
Other comprehensive income			
Gain/(loss) on cash flow hedging taken to reserves	15	785,385	(1,163,648)
Income tax relating to components of other comprehensive income	4(b)	(219,909)	345,841
Other comprehensive income for the year net of tax		**565,476**	**(817,807)**
Total comprehensive income for the year, net of taxation		**2,643,061**	**1,698,690**

The accompanying notes form part of these financial statements.

Queenstown Airport Corporation Limited
Identified Airport Activities
Disclosure Financial Statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	2013 $	2012 $
Current assets			
Cash and cash equivalents	20(d)	77,025	223,244
Trade and other receivables	6	1,320,684	1,159,047
Prepayments		29,396	15,284
Total current assets		**1,427,105**	**1,397,575**
Non-current assets			
Property, plant and equipment	8	86,164,590	86,564,220
Derivatives	7	30	5,428
Intangible assets	10	2,421,500	2,205,802
Total non-current assets		**88,586,120**	**88,775,449**
Total assets		**90,013,225**	**90,173,024**
Current liabilities			
Trade and other payables	11	1,653,926	2,480,176
Income in advance		957	7,104
Employee entitlements	12	115,718	128,629
Current tax payable		390,012	40,048
Borrowings (secured)	13	-	-
Total current liabilities		**2,160,613**	**2,655,957**
Non-current liabilities			
Borrowings (secured)	13	30,623,097	29,282,679
Derivatives	7	1,206,264	1,991,651
Deferred tax liabilities	4(c)	4,003,796	5,067,100
Total non-current liabilities		**35,833,157**	**36,341,430**
Total liabilities		**37,993,770**	**38,997,387**
Net assets		**52,019,455**	**51,175,637**
Equity			
Share capital	14	18,891,587	18,891,587
Retained earnings		5,947,173	5,668,831
Asset revaluation reserve	15	27,638,578	27,638,578
Cash flow hedge reserve	15	(457,883)	(1,023,359)
Total equity		**52,019,455**	**51,175,637**

For and on behalf of the Board

………………………………..	………………………………..	………………………………..
Director	Director	Date

The accompanying notes form part of these financial statements.

Queenstown Airport Corporation Limited
Identified Airport Activities
Disclosure 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	18,891,587	27,638,578	(1,023,359)	5,668,831	51,175,637
Profit for the period	-	-	-	2,077,585	2,077,585
Other comprehensive income	-	-	565,476	-	565,476
Total comprehensive income for the period			565,476	2,077,585	2,643,061
Transactions with owners in their capacity as owners					
Shares issued	-	-	-	-	-
Dividends paid	-	-	-	(1,799,243)	(1,799,243)
At 30 June 2013	18,891,587	27,638,578	(457,883)	5,947,173	52,019,455

	Ordinary shares	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
At 1 July 2011	18,891,587	27,638,578	(205,552)	5,303,505	51,628,118
Profit for the period	-	-	-	2,516,497	2,516,497
Other comprehensive income	-	-	(817,807)	-	(817,807)
Total comprehensive income for the period	**-**	**-**	(817,807)	2,516,497	1,698,690
Transactions with owners in their capacity as owners					
Shares issued	-	-	-	-	-
Dividends paid	-	-	-	(2,151,171)	(2,151,171)
At 30 June 2012	18,891,587	27,638,578	(1,023,359)	5,668,831	51,175,637

Notes to the Financial Statements

For the financial year ended 30 June 2013

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.

These financial statements have been approved for issue by the Board of Directors on 29th October 2013. The entity'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 ("Regulations").

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. Each of the Identified Airport Activities also includes an allocation of supporting infrastructure. Also included in each of the above Identified Airport Activities are assets specifically held for use in that activity.

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

2. Summary of Accounting Policies

Reporting Entity

The 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.

Statement of Compliance

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

The Company qualifies for Differential Reporting exemptions as it does not have public accountability and it is not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted with the exception of NZ IAS-12 '*Income Taxes*' with which the Company has fully complied.

These financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions, except in so far as the Regulations require reporting solely on the activities of the Company comprising Identified Airport Activities and segment reporting of those Identified Airport Activities under SSAP 23 Financial Reporting for Segments.

Basis of Preparation

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

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

The financial statements have been prepared on the basis of historical cost, except for the revaluation of derivative financial instruments and certain items of property, plant and equipment. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

The following accounting policies which materially affect the measurement of results and financial position have been applied:

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.

Landing Charges, Car park Revenue and Departure Levy's 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 are recognised when an unconditional contract is in place and it is probable that the Company will receive the consideration due.

Leasing

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 profit or loss 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, to the net carrying amount of the financial asset.

(ii) Company as a lessor

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. 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.

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 or deductible 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.

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.

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.

- <u>Financial Assets at Fair Value Through Profit or Loss</u>

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 plus transaction costs 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 for the year.

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 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 net of transaction costs 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 for the year 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 7.
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the nature and timing of the recognition in profit or loss depends on the nature of the hedging relationship.

(iv) Hedge Accounting

The Company designates certain hedging instruments, which 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 of the hedged item.
Note 7 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the cashflow 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.

Property, Plant and Equipment

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

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

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

Land, buildings, roading, carparking 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, buildings, roading, carparking 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 other comprehensive income, 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 the 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 derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Fair Value

Land holdings, buildings, roading and carparking were independently valued by Seagar & Partners, registered valuers, as at 30 June 2010 to fair value. The total fair value for the land and buildings and roads and carparks per the valuer is $55,890,153. The runway was independently valued by Beca Valuations Limited (Beca), registered valuers, as at 30 June 2010 to a fair value amount of $14,782,000.

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
Roading & Carparking	Optimised depreciated replacement costs

Depreciation

Depreciation is provided on a diminishing value (DV) basis for all assets except the runways and land improvements so as to write-off the carrying value of each asset to its estimated residual value over its estimated useful life. The runways and land improvements 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.

Property, Plant and Equipment cont.

The depreciation rates of the major asset classes have been estimated as follows:

	Rate (%)	Method
Operational Assets		
Buildings	2.5-33%	DV
Land Improvements	1%	SL
Runway	1.67-20%	SL
Plant and Equipment	25%	DV
Motor Vehicles	26%	DV
Furniture	33%	DV
Rescue Fire	10-33%	DV
Roading & Carparking	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 derecognition 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.

Intangible Assets

Intangible assets are recognised 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.

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.

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.

Segment reporting

For the purposes of reporting in accordance with SSAP 23: Financial Reporting for Segments, under the Regulations an industry segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular country or groups of countries and is subject to risks and returns that are different than those of segments operating in other country or groups of countries. The company does report identified activities as required under Airport Authorities Act but these do not meet the industry segment test.

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 a material impact on the company (either from a recognition or a disclosure perspective).

Significant Accounting Judgements, Estimates and Assumptions

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

a) Carrying value of property, plant and equipment

The company records land, land improvements, buildings, runways and roading and carparking at fair value. Land, land improvements, buildings, runways and roading and carparking acquired or constructed after the date of the last revaluation are carried at cost, which approximates fair value. Revaluations are carried out, by independent valuers, with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at balance date. Accounting judgement is required to determine whether the fair value of land, land improvements, buildings, runways and roading and carparking has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time.
Changes to estimates, assumptions or market conditions subsequent to the revaluation will result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment and the valuation methodologies used at the last revaluation are disclosed in note 8, and above respectively.

b) Allocation Methodologies

The disclosure financial statements are for 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 movements. The allocation rules used require the use of judgement and assumptions to determine the values recorded in the disclosure financial statements. 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 21 of the additional information required by the disclosure regulations.

Changes in Accounting Policy

There have been no changes in accounting policy.

3. Surplus from Operations

(a) Revenue

	2013 $	2012 $
Revenue consisted of the following items:		
Revenue:		
Revenue from rendering of services:		
Airport Charges	11,930,734	7,761,142
Licences & Aircraft Parking	1,286,882	2,928,562
Departure Levy	-	1,854,188
	$13,217,616	$12,543,892

(b) Other Gain/(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)	(17,484)
	$(6,731)	$(17,484)

(c) Employee Benefits Expense

Salaries and wages	1,242,868	1,136,687
Directors fees	127,426	123,315
	$1,370,294	$1,260,002

(d) Depreciation Expense

Land Improvements	118,042	117,689
Buildings	917,144	981,811
Roading & Carparking	213,521	221,499
Plant and equipment	498,555	351,837
Runway	1,038,466	791,241
Motor vehicles	10,874	2,236
Furniture	358,770	23,575
Rescue fire	134,433	150,398
	$3,289,805	$2,640,286

(e) Finance Costs

Interest on borrowings	1,880,273	1,571,283
	$1,880,273	$1,571,283

4. INCOME TAXES

(a) Income Tax Recognised in Profit or Loss

	2013 $	2012 $
Tax expense/(income) comprises:		
Current tax expense/(credit):		
Current year	1,154,679	789,686
Adjustments for prior years	319,778	-
	1,474,457	789,686
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(217,650)	99,079
Deferred tax relating to future non depreciation of buildings for tax purposes	-	11,964
Adjustment for prior year	(335,799)	(6,198)
	(553,449)	104,845
Total tax expense	$921,008	$894,531

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	2,998,593	3,411,028
Income tax expense calculated at 28% (2012:28%)	839,606	955,088
Permanent differences	-	-
Reversal of temporary difference	-	-
Adjustment for prior years	(16,021)	(6,198)
Deferred tax relating to future non depreciation of buildings for tax purposes	-	11,964
Other	97,423	(66,323)
Income tax expense	$921,008	$894,531

(b) Income Tax Recognised Directly In Other Comprehensive Income

Deferred tax of $219,909 (2012: ($345,841)) has been charged (credited) 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**	**Transfer from Non-Identified Airport Activities**	**Charged to profit for the year**	**Charged to other comprehensive income**	**Closing balance**
Gross deferred tax assets/(liability):					
Property, plant and equipment	(5,297,880)	729,773	299,123	-	(4,268,984)
Intangible assets	(349,932)	-	212,594	-	(137,338)
Employee benefits	9,050	-	27,084	-	36,134
Derivatives	557,662	-	-	(219,909)	337,744
Trade and other payables	14,000	-	14,648	-	28,648
	(5,067,100)	729,773	553,449	(219,909)	(4,003,796)

2012	**Opening balance**	**Transfer from Non-Identified Airport Activities**	**Charged to profit for the year**	**Charged to other comprehensive income**	**Closing balance**
Gross deferred tax assets/(liability):					
Property, plant and equipment	(4,513,622)	(905,509)	121,251	-	(5,297,880)
Intangible assets	(92,553)	-	(257,379)	-	(349,932)
Employee benefits	17,578	-	(8,528)	-	9,050
Derivatives	186,010	-	25,811	345,841	557,662
Trade and other payables	-	-	14,000	-	14,000
	(4,402,587)	(905,509)	(104,845)	345,841	(5,067,100)

(d) Imputation Credit Account Balances (Whole Company)

	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	(1,337,396)	(1,409,168)
Balance at end of year	$7,005,935	$5,491,109

The imputation credit balance relates to Queenstown Airport Corporation Limited as a tax paying entity and includes balances relating to items which may not be reported in these disclosure statements. The 2013 calculations are on an accruals basis.

5. Operating expenses

	2013 $	2012 $
Repairs & Maintenance	371,740	389,107
Legal	55,830	12,184
Consultants	602,845	329,109
Planning	52,593	14,545
Administration	160,096	62,264
Insurance	259,151	209,921
Rates	143,418	105,204
Energy	426,769	426,771
Services	513,012	328,710
Audit fees for disclosure financial statements	35,000	29,416
Audit Fee for statutory financial statements	43,179	56,216
Other	970,803	1,668,916
	$3,634,436	$3,632,363

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

6. Trade & Other Receivables

	2013 $	2012 $
Trade receivables	1,320,684	993,895
Allowance for doubtful debts	-	-
	1,320,684	993,895
Goods and services tax (GST) receivable	-	165,152
	$1,320,684	$1,159,047

7. Other Financial Assets (Liabilities)

Derivative financial assets/(liabilities);

	2013 $	2012 $
Interest rate swap (i) (effective)	(1,206,264)	(1,991,651)
Interest rate option (ii) (not designated)	30	5,428
	$(1,206,234)	$(1,986,223)

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.

i. 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% to 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.

ii. The Company holds an interest rate option for $10,000,000 which is effective from 1 January 2012 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.

8. Property, Plant and Equipment

	2013		
	Cost/ Valuation $	**Accumulated Depreciation $**	**Net Book Value $**
Land	27,779,926	-	27,779,926
Land Improvements	10,326,244	(245,918)	10,080,326
Buildings	25,148,075	(2,906,948)	22,241,127
Roading & Car Parking	3,609,793	(670,784)	2,939,009
Plant & Equipment	3,148,411	(1,617,905)	1,530,506
Runway	20,919,726	(2,514,825)	18,404,901
Motor Vehicles	97,543	(48,866)	48,677
Furniture	2,594,460	(610,797)	1,983,663
Rescue Fire	2,176,529	(1,020,074)	1,156,455
	$95,800,707	$(9,636,117)	$86,164,590

	2012		
	Cost/ Valuation $	**Accumulated Depreciation $**	**Net Book Value $**
Land	25,590,698	-	25,590,698
Land Improvements	10,197,625	(117,689)	10,079,936
Buildings	26,741,209	(2,021,525)	24,719,684
Roading & Car Parking	3,600,787	(592,210)	3,008,577
Plant & Equipment	3,014,038	(1,224,195)	1,789,843
Runway	21,522,040	(1,486,544)	20,035,496
Motor Vehicles	44,355	(37,992)	6,363
Furniture	299,891	(252,027)	47,864
Rescue Fire	2,176,529	(890,772)	1,285,758
	$93,187,173	$(6,622,953)	$86,564,220

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.

10. 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	**$2,499,998**	**$2,246,815**

Accumulated amortisation		
Opening balance	41,014	29,568
Amortisation expense	37,484	11,446
Total accumulated amortisation	**78,498**	**41,014**
Carrying Value	**$2,421,500**	**$2,205,801**

11. Trade & Other Payables

	2013 $	2012 $
Trade payables	659,934	1,530,309
Other creditors and accruals	993,992	949,867
	$1,653,926	$2,480,176

12. Employee Entitlements

	2013 $	2012 $
Accrued salary and wages	56,997	77,994
Annual leave	58,721	50,635
	$115,718	$128,629

13. Borrowings

	2013 $	2012 $
At amortised cost		
Bank borrowings (secured) (i)	30,623,097	29,282,679
	$30,623,097	$29,282,679
Disclosed in the financial statements as:		
Current	-	-
Non-current	30,623,097	29,282,679
	$30,623,097	$29,282,679

Comparison with external Borrowings for the Whole Company

	Statutory Financials 2013 $	Disclosure Financials 2013 $
Finance costs (ii)	1,349,508	1,880,273
Borrowings (i) (secured) (iii):		
Current	-	-
Non-current	20,613,000	30,623,097
	$20,613,000	$30,623,097

(i) On 8th July 2010 the Company, as a whole, issued 4,013,485, fully paid up shares, to Auckland Airport Holdings (No 2) Limited for a total value of $27,245,183. These funds were applied in full to reduce the company's debt. For the purposes of the disclosure financial statement the share capital issued has been allocated on the basis of the percentage of assets that relate to the specified airport activities. The effect of this allocation is that $14,558,279 (or 53% of the total) of the share capital issued has been recognised within the disclosure financial statements. This allocation reduces the cash available to repay debt on specified activities compared to statutory financial statements. Further, under the methodology applied in preparing these disclosure financial statements debt becomes the balancing figure in the disclosure financials and is therefore impacted by the profitability of each specified activity.

(ii) As noted in (i) above, 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 $10,010,097 (2012: $9,472,679). This impacts the finance costs reflected in these disclosure financial statements. The finance costs recognised within the disclosure financial statements, have been calculated using an average interest rate of 6.5% applied to the allocated debt.

(iii) 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%).

The Company, as a whole, has a secured facility with Westpac for $30 million. The Company may draw funding for terms ranging from call to three years.

	2013 Company $	2012 Company $
Amounts used		
- Overdraft	-	-
- Borrowings	20,613,000	19,810,000
Amount unused	9,387,000	10,190,000
	$30,000,000	$30,000,000

14. Share Capital

	Number		Value	
	2013	**2012**	**2013**	**2012**
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	7,141,901	7,141,901	18,891,587	18,891,587
Issue of shares	-	-	-	-
Balance at end of year	7,141,901	7,141,901	$18,891,587	$18,891,587

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

(b) Dividends Paid on Share Capital attributed to Identified Airport Activities

	2013
Final Dividend – 16c per share	$1,297,573
Interim Dividend – 6c per share	$501,670
Total Dividend Paid	$1,799,243

On 31st January 2013 an interim dividend of 6 cents per share (total dividend of $501,670) was paid to holders of fully paid ordinary shares.

On 22nd August 2012 a final dividend of 16 cents per share (total dividend of $1,297,573) was paid to holders of fully paid ordinary shares.

15. Reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of property, plant and equipment.

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.

16. Commitments for Expenditure (For Whole Company)

	2013	**2012**
	$	**$**
(a) Capital Expenditure Commitments		
Commited for acquisition of property, plant and equipment	$725,461	$3,434,380

(b) Company as Lessee; Operating Lease Commitments

Non-cancellable operating lease payments		
Not longer than 1 year	16,284	19,311
Longer than 1 year and not longer than 5 years	46,138	19,288
	$64,422	$38,599

17. Contingent Liabilities

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.

18. Related Party Disclosures (reported 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) 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 **$**	**2012** **$**
Queenstown Lakes District Council		
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
Lakes Environmental Ltd		
Resource Consent costs & Collection Fees	(31,533)	(41,252)

Trojan Holdings Limited		
Rubbish removal services	(51,503)	(52,889)
Rent& Recovered Expenses Received	37,749	37,446
Alpine Deer Group Ltd		
Landing Revenue	2,166	
Lakes Leisure Ltd		
Rescue Fire Training	-	(2,600)
G Lilly – Director – CAA		
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 LL 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 related 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.

Hadley Consultants Limited		
Consultant Engineering Services	(12,925)	(59,694)
Auckland International Airport		
Secondment Costs	-	(21,953)
Recovery of Sponsorship	-	(3,922)
Travel Expenses	-	-
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	

19. Subsequent Events (Whole Company)

On 16 August 2013 the Board resolved to pay a dividend of $0.22 per share, resulting in a gross dividend of $2,586,506.

20. Financial Instruments

(a) Capital Risk Management

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

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Categories of Financial Instruments

	2013 $	2012 $
Financial Assets		
Cash and cash equivalents	77,025	223,244
Trade and other receivables	1,320,684	1,519,047
Other financial assets - FVTPL	30	5,428
Financial Liabilities		
Trade and other payables	1,653,926	2,480,176
Borrowings[1]	30,623,097	29,282,679
Other financial liabilities - FVTPL	1,206,264	1,991,691
Current tax payable	390,012	40,048

All financial assets are recognised as loans and receivables and all financial liabilities are at amortised cost except other financial assets and liabilities which are recognised at fair value through the Profit for the year (FVTPL).

(d) Reconciliation of Cash and Cash Equivalents

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

[1] Balance includes internal borrowings of $10,010,097 (2012: $9,472,679)

21. Segment Information

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.

Management have assessed the activities of Queenstown Airport Corporation Limited and allocated them to segments as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. Management have determined that no material Aircraft and Freight Activities are undertaken by Queenstown Airport Corporation Limited.

The Company is required to present segmented information for two specified airport activities. These activities are defined in the Airport Authorities Act 1966 and subsequent amendments.

30 June 2013

	Specified Terminal	Airfield	Total
	$	$	$
External Revenue			
Airport Charges	5,022,969	6,907,765	11,930,734
International Departure Fees	-	-	-
Licences & Aircraft Parking	1,015,156	271,726	1,286,882
Other Gains/(Losses)	(6,731)	-	(6,731)
Total revenue	6,031,394	7,179,491	13,210,885
Expenses			
Operating Expenses	2,187,134	897,135	3,084,269
Administration	74,818	85,278	160,096
Repairs & Maintenance exc Runway	196,557	175,183	371,740
Employee Benefits Expense	744,422	625,872	1,370,294
Depreciation Expense	1,515,812	1,773,993	3,289,805
Amortisation	13,494	23,990	37,484
Finance Costs	507,674	1,372,599	1,880,273
Runway Maintenance	-	18,331	18,331
Total expenses	5,239,911	4,972,381	10,212,292
Segment operating surplus (deficit) before income tax	791,483	2,207,110	
Income tax			921,008
Net operating surplus (deficit) after income tax			2,077,585
Segment assets	25,986,017	64,027,208	90,013,225
Average number of full-time staff equivalents	9	6	15

There are no significant inter-segment transactions.

Queenstown Airport Corporation Limited
Identified Airport Activities
Disclosure Financial Statements

Segment Information cont.

30 June 2012

	Specified Terminal	Airfield	Total
	$	$	$
External Revenue			
Airport Charges	4,699,742	3,061,400	7,761,142
International Departure Fees	1,854,188	-	1,854,188
Licences & Aircraft Parking	2,688,137	240,425	2,928,562
Other Gains/(Losses)	(5,935)	(11,549)	(17,484)
Total revenue	9,236,132	3,290,276	12,526,408
Expenses			
Operating Expenses	2,063,465	1,054,234	3,117,699
Administration	29,097	33,167	62,264
Repairs & Maintenance exc Runway	205,740	183,367	389,107
Employee Benefits Expense	591,563	668,439	1,260,002
Depreciation Expense	896,208	1,744,077	2,640,285
Amortisation	4,121	7,325	11,446
Finance Costs	530,191	1,041,092	1,571,283
Runway Maintenance	-	63,294	63,294
Total expenses	4,320,385	4,794,995	9,115,380
Segment operating surplus (deficit) before income tax	4,915,747	(1,504,719)	3,411,028
Income tax			894,531
Net operating surplus (deficit) after income tax			2,516,497
Segment assets	25,248,447	64,924,577	90,173,024
Average number of full-time staff equivalents	8.60	7.78	16.38

There are no significant inter-segment transactions.

22. Allocation Methodology used in the preparation of these statements

Revenue Categories

Revenue falls into one of the following categories:

- Airport charges, this relates to the revenue that is directly attributable to a aircraft landings and the associated passenger charge. This revenue is readily allocated between Specified Terminal and Airfield based on the makeup of the charge.
- International Departure Fee is the revenue that is generated from departing international passengers and relates wholly to the Specified Terminal segment.
- Licenses and Aircraft Parking, this is the revenue from aircraft parking and the revenue from licenses relating to aviation services.
- Other Gains/(Losses), this is the gain/loss on FX hedges and allocated on the basis of debt.

Expenditure Categories and Allocation

Expenditure falls into one of the following categories:

- Direct operational costs are incurred solely by Identified Airport Activities, or another business unit of the airport, and have been allocated directly to the area affected.
- Indirect operational costs are either incurred by a number of Identified Airport Activities, or in conjunction with other business units. The company primarily allocates indirect costs on a share of space attributable to each activity in the terminal building, consistent with the most recent consultation. Each year an analysis is made of space in the international terminal building attributed to Identified Airport Activities versus non-Identified Airport Activities.
- Non-operational costs have been allocated to the Identified Airport Activities on the following basis:
  - Depreciation allocated across segments consistent with the methodology used for assets (see below).
  - Interest expense is allocated to segments consistent with the methodology used for debt (see below).
  - Taxation is allocated 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.

Allocation of Assets

The company maintains a detailed property, plant and equipment register. Each asset has been either coded directly to an Identified Airport Activity, a non-Identified Airport Activity or allocated using a specific rule. Where assets are allocated to a number of segments, they have been apportioned between the affected activities using an activity based cost methodology or the nearest proxy to it. Material asset classes and apportionment approaches are:

- Terminal property, plant and equipment, including land and buildings, have been generally apportioned 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.
- Roads have been allocated using an estimation of their primary purpose and usage, excluding through traffic.
- Stormwater assets have been allocated on the basis of the sealed areas. Wastewater assets have been allocated on the basis of their estimated usage across the business.

Allocation of Debt

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

Allocation of Equity

The equity position of each segment is calculated with reference to the following:

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

23. 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 2012, 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 swap rate that the company would pay for longer-term debt. The swap rate, and therefore the cost of debt, reflects the market conditions as at 1 July 2012.

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

	2013 Parameter	**2012 Parameter**
Risk free rate – five year Government Stock	3.0%	4.0%
5 year swap rate	3.2%	4.3%
Market risk premium	7.5%	7.5%
Company tax rate	28.0%	28%
Debt / (Debt + Equity)	40%	40%
Debt premium	2.8%	2.7%
Business risk factor (asset beta)	0.65	0.65
Calculated WACC	7.60%	8.32%

Based on these parameters the company estimates that, as at 1 July 2012, the appropriate prospective WACC for its identified airport activities was 7.60% on a nominal after-tax basis.

The Company revises its WACC periodically to coincide with its aeronautical 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).

24. Methodology used to determine airport charges – FY13

Airport charges in respect of airfield and terminal building use for Regular Air Transport Operations were reviewed on 1 July 2012.

The determination setting the charges on 1 July 2012 included the following key attributes:

- A long run marginal cost model (the Model) was developed 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 the Baggage Make Up facility and those activities relating to General Aviation that are funded by their own charges.
- The Model is intended to persist for nine years from 1 July 2012.
- A review of charges derived by the Model will occur at end of years three and six to correct charges for differences between forecast and actual levels of passenger volumes and movements in various WACC parameters.
- Growth incentive rebates are available to airlines who contribute to better than forecast growth in classes of passenger volumes.
- 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.

Baggage Make Up charges were set to balance the funding of the recently expanded Baggage Make Up facility.

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

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.

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.

25. Schedule of Airport Charges – FY13

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.

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.

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

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

Aircraft Parking Charge

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

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

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

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

Passenger Charges Regular Air Transport Opeartions

Passenger Charge – International Jet Services
A charge of $17.86 (excluding GST) per embarking and disembarking passenger (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service.

Passenger Charge – Domestic Jet Services
A charge of $7.52 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service.

Passenger Charge – Domestic Turboprop Services
A charge of $6.97 (excluding GST) per embarking and disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service.

26. Methodology used to determine airport charges – FY12

With the exception of the new Baggage Make Up facility charges introduced from 1 April 2011, the Company's charges were last reviewed in 2004 and prices have remained constant since that time.

The principal driver behind setting charges in 2004 was to balance the business case for a major redevelopment of the airport. Charges were set to fund the shortfall in total revenues from all sources so that an adequate return on capital could be made after recovering the costs of providing all airport facilities.

All Queenstown Airport Corporation Limited's revenues and costs were used to determine the shortfall required from airport charges.

Revenues and expenses were identified and allocated among three facility categories:

- Airport Terminal and Apron
- Airfield (excluding Apron, General Aviation and Helicopters)
- General Aviation and Helicopters

Passenger Charges were set to balance the funding requirements for the Airport Terminal and Apron facilities.

Landing Charges for Regular Passenger Transport Operations were set to balance funding for the Airfield facilities.

Baggage Make Up charges were set to balance the funding of the recently expanded Baggage Make Up facility.

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

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.

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.

27. Schedule of Airport Charges – FY12

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.

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.

Landing Charge - Regular Air Transport Operations
A landing charge is payable in respect of each arriving aircraft on a Regular Air Transport Operation and is calculated in accordance with the following formula.

Landing charge = **a** x **b**

Where **a** is the MCTOW of the aircraft and **b** is the $ rate per tonne of MCTOW as set out in the table below.

Aircraft MCTOW (kg)	$ Rate per tonne (excl GST)
0 to 25,000	$4.10
25,001 – 40,000	$5.95
40,001 – 55,000	$7.80
55,001 – 70,000	$9.60
70,001 and greater	$11.50

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

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
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15,001 – 20,000	$521.50
20,001 – 25,000	$681.25
25,001 and greater	$904.75

Aircraft Parking Charge

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

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

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

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

Passenger Charges Regular Air Transport Opeartions

Passenger Charge – International Services
A charge of $13.50 (excluding GST) per embarking and $7.00 (excluding GST) per disembarking passenger (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service.
Passenger Charge – Domestic Services
A charge of $3.50 (excluding GST) per Embarking and Disembarking Passenger (excluding infants and positioning crew) on fixed wing aircraft operating a domestic service.

International Facility Fee

A charge of $1,239 (excluding GST) is payable for each arriving aircraft on a Regular Air Transport Operation disembarking passengers through the international arrivals facility in the Queenstown Airport terminal.

28. Baggage Make Up Charges

A charge of $0.734 per departing passenger in 2013 is payable for use of Queenstown Airport's Baggage Make Up facility.

A charge of $0.777 per departing passenger in 2012 was payable for use of Queenstown Airport's Baggage Make Up facility.

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

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

Where:

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

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

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

29. Landing Statistics

Scheduled Domestic Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2013	Year to 30 June 2012
0 to 20,000	DH8C	-	-
20,001 – 26,000	ATR72	1,725	1,715
26,001 – 56,000		-	-
56,001 – 71,000	B737-300	911	936
71,001 and greater	A320 B737-800	2,064	1,735 -

Scheduled International Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2013	Year to 30 June 2012
0 – 71,000		-	-
71,001 and greater	A320 B737-800	599 358	464 313

Other Landings

Aircraft MCTOW (kg)		Year to 30 June 2013	Year to 30 June 2012
All weights		14,408	15,438

Passengers

Class of Passenger	Year to 30 June 2013	Year to 30 June 2012
Passengers arriving and departing on domestic flights	957,204	851,795
Passengers arriving and departing on international flights	241,714	195,249

30. Passenger Charge

An International Departure Fee is payable by departing international passengers calculated at $25.00 per passenger aged 12 years and over.

The International Departure Fee has been set to contribute to the funding of facilities at Queenstown Airport.

This fee is no longer being charged in 2013.

31. Interruptions to Services

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

Planned Disruptions

Service	Number of Events		Total Duration (nearest 15 mins)	
	Year to 30 June 2013	Year to 30 June 2012	Year to 30 June 2013	Year to 30 June 2012
Runway Services	0	0	0	0
Stand Position Services	0	0	0	0
Airbridge Services	0	0	0	0
Baggage Handling Services	0	0	0	0

Un-planned Disruptions

Service	Number of Events		Total Duration (nearest 15 mins)	
	Year to 30 June 2013	Year to 30 June 2012	Year to 30 June 2013	Year to 30 June 2012
Runway Services	0	0	0	0
Stand Position Services	0	0	0	0
Airbridge Services	0	0	0	0
Baggage Handling Services	0	0	0	0

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Queenstown Airport Corporation Limited – Disclosure Financial Statements

Report to the Board of Directors for the year ended 30 June 2013

Deloitte.

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22 October 2013

Queenstown Airport Corporation Limited
P O Box 64
QUEENSTOWN 9348

Dear Directors

DISCLOSURE FINANCIAL STATEMENTS

REPORT TO THE BOARD OF DIRECTORS – FOR THE YEAR ENDED 30 JUNE 2013

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the disclosure financial statements of Queenstown Airport Corporation Limited ("QAC") for the year ended 30 June 2013 which we consider appropriate for the attention of the Board of Directors ("the Board"). These matters have been discussed with management of the Company and their comments have been included, where appropriate.

This is the fourth year that Queenstown Airport Corporation have complied with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) in relation to the preparation of disclosure financial statements. The process for preparing and thus auditing the 2013 disclosure financial statements has improved, with management utilizing McCullochs to assist the preparation of a Disclosure Financial Statements supporting file. In Sections 2 and 3, we highlight some areas where improvements can still be made.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

This correspondence is part of our ongoing discussions as auditor in accordance with our engagement letter dated 30 June 2011 and as required by New Zealand auditing standards. This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Board of Directors. The audit of the disclosure financial statements does not relieve management or the Board of their responsibilities. The ultimate responsibility for the preparation of the disclosure financial statements rests with the Board.

We have prepared this report solely for the use of the Board and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

If you would like to discuss any matters raised in this report please do not hesitate to contact us.

Yours sincerely
DELOITTE

P F Heslin
Partner
Direct Line (03) 474-8635
E-mail: pheslin@deloitte.co.nz

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Contents

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1. Key Areas of Focus & Audit Response

Our audit procedures were focused on those areas of QAC's activities that are considered to represent the key audit risks and issues arising during the audit or identified during the risk assessment process undertaken during the planning stage of our engagement. Provided below is a summary of these issues arising and key areas of focus and our responses in respect of each matter following the completion of our audit. We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the disclosure financial statements.

Focus Area / Issue	Response
Fixed Asset Allocation The fixed asset allocation is a significant driver within the disclosure accounts, as it is the basis for allocation of a number of items.	We spent a significant amount of our audit time reviewing the allocation of fixed assets to ensure the appropriateness of the allocations and to understand the movements from prior year. We identified a couple of errors within the calculation which have been adjusted by management. This resulted in changes to the fixed asset allocation driver. We note there was no movement from 2012 in the allocation of terminal floor space. This resulted in no adjustments required from historical fixed assets category allocations. Overall there were improvements in the way Fixed Assets were approached by QAC as regards the Disclosure Accounts which meant the process was easier to audit than in prior years.
Allocation of Income Statement The income and expenses included in the statutory financial statements are allocated to Disclosure Financial Statements based on whether they are aeronautical or commercial.	Our work considers the basis of allocation of all Income and Expense account items. This approach considers in particular, changes year on year in the basis of allocation, and looks at whether, in principle, the approach makes sense. Allocations of income and expenses vary depending on nature. Certain items may be allocated 100% to aeronautical or commercial, or a proportion may be allocated to aeronautical. The basis for allocation in 2013 is consistent with that adopted in 2012.
Compliance with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 The Regulations provide details on what items should be disclosed by QAC.	Our audit approach considers how QAC has complied with the requirements of the Regulations. In particular, aside from the requirements to report aeronautical activities (rather than commercial activities), the Regulations also require segmental reporting in accordance with SSAP 23, notwithstanding the fact that QAC follow NZIFRS. They also require disclosure of pricing methodology. The pricing methodology for QAC changed from 1 July 2012, and therefore there are 2 sets of methodology in the 30 June 2013 Disclosure financial statements.

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2. Assessment of Internal Controls

Our audit approach requires us to obtain an understanding of an entity's internal controls, sufficient to identify and assess the risks of material misstatement of the disclosure financial statements whether due to fraud or error.

In performing the Disclosure Financial Statements audit of QAC for the year ended 30 June 2013 we have not identified any material weaknesses in internal controls relating to the prevention and detection of fraud and error which would impact on our ability to provide our opinion on the disclosure financial statements for the year ended 30 June 2013, however we did note certain other observations, the most significant of which are detailed below.

We remind you that our audit was not designed to provide assurance as to the overall effectiveness of the controls operating within QAC, although we have reported to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

Observation	Recommendation	Management Response
Deferred taxation		
Under IFRS the recognition of deferred tax assets and liabilities is based on the difference between the accounting and tax book value of assets and liabilities. Such differences are referred to as temporary differences. QAC recognises a significant deferred tax liability as a result of the accounting book value of its fixed assets being considerably greater than the corresponding tax book value. This primarily results from booking the revaluation of the building and runway assets, for accounting purposes (but not tax purposes) together with the change in taxation rules preventing the depreciation of building assets with a life in excess of 50 years for tax purposes. Because the accounting fixed asset register is allocated between specified and non specified assets a similar exercise is required with respect to the tax fixed asset register in order to ensure the correct temporary difference and the correct deferred tax liability can be calculated. This issue has been reported previously. Accordingly in order to calculate the deferred tax liability, an estimate of the specified cost of assets within the tax fixed asset register is completed. This estimate was made by applying the percentage of accounting specified asset valued over total asset values to the tax cost of the assets. Tax book value was estimated by applying a proportion of accumulated depreciation to the estimated cost of the specified assets for tax purposes.	Calculation of deferred tax for the purposes of the disclosure financial statements is based on an estimate. We acknowledge that the approach provides a reasonable basis in absence of a detailed review of the tax register. However, we suggest QAC undertake a calculation based on a full allocation of the tax fixed asset register into its specified and non specified components. Until this exercise is completed, the calculation of tax will remain complex, require extra time, and there is some risk the deferred tax liability in the disclosure financial statements is not accurate.	Acknowledged, future refinement will take place on the tax fixed asset register to ensure it can be used for deferred tax calculations in 2014.
Aeronautical Conditions of Use During review of the current Helicopter charges, it was noted that what is currently being charged to Helicopter operators did not align with what has been disclosed in	We recommend QAC produce an amendment to the Aeronautical Conditions of Use document to reflect the	This point has been brought to the attention of the GM operations, a full review will take place and any changes identified will be published

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Observation	Recommendation	Management Response
the Aeronautical Conditions of Use document. We understand from discussions with management that whilst this is the case, Helicopter operators are actually being charged the correct amount, and consequently there is no financial impact of this. We understand from management that the issue arises from the fact that there is an error in the Aeronautical Conditions of Use document.	correct charges.	in an amendment to the Aeronautical Conditions of Use.
Preparation of supporting information		
The disclosure financial statements represent a proportion of QAC's total activities. Accordingly the preparation of the underlying information is completed on a number of spreadsheets which have interlinking components. The quality of accounting records has improved on the prior year with well laid out spread sheets provided to Deloitte on arrival. All errors were discussed and resolved with management during the audit.	Management should continue to focus on improving financial reporting processes, and cement process improvements from the Disclosure Financial Statements process for the 2014 statutory and Disclosure Financial Statements process.	Management will continue to improve reporting.
New Zealand Reporting Reform		
The External Reporting Board (XRB) and New Zealand Accounting Standards Board (NZASB) are proposing changes to the accounting standards that apply, distinguishing between 'for-profit' entities, public benefit entities (PBEs) in the public sector and PBEs that are not-for-profit. Queenstown Airport Disclosure Accounts will fall into Tier 2 (For Profit Entities) , this will mean reporting in accordance with NZ IFRS Reduced Disclosure Regime. While this does allow for significant reduced disclosures it is different from the previous differential exemptions utilised by QAC.	We recommend QAC review the new accounting standards that will be applied and assess the differences in disclosures that will be necessary.	Management take on board auditor's comments and a review of the standards will take place to identify any changes in disclosure reporting.

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3. Summary of Unadjusted Differences

In performing our audit we did not identified any misstatements that have not been adjusted in the disclosure financial statements for the year ended 30 June 2013

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4. Summary of Uncorrected Disclosure Deficiencies

In performing our audit we did not identified any disclosure dificiencies that have not been adjusted in the disclosure financial statements for the year ended 30 June 2013

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5. Other Communications

The following matters relevant to our audit of for the year ended 30 June 2013 are communicated in accordance with the requirements of New Zealand auditing standards.

Matter to be communicated	Response
Independence	We confirm that we have maintained our independence in accordance with the independence requirements of the Office of the Auditor General and the *Code of Ethics: Independence in Assurance Engagements* issued by the New Zealand Institute of Chartered Accountants and, in our professional judgement, we are independent of QAC.
Written representations	A copy of the representation letter to be signed on behalf of the Board of Directors has been circulated separately.
Non-compliance with applicable laws and regulations	In performing our audit of QAC for the year ended 30 June 2013 we did not became aware of any instances of non-compliance with applicable laws and regulations that may have an impact on the determination of material amounts and disclosures in the disclosure financial statements.
Fraud	In performing our audit of QAC for the year ended 30 June 2013 no matters relating to fraud, concerning either employees or management came to our attention.
Financial reporting	In performing our audit of QAC for the financial year ended 30 June 2013 we have not become aware of any significant qualitative aspects of the entity's accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures that need to be communicated to the Board, other than those already communicated in this report.
Related parties	In performing our audit of QAC for the financial year ended 30 June 2013 no significant related party matters other than those reflected in the disclosure financial statements came to our attention that, in our professional judgement, need to be communicated to the Board.

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QUEENSTOWN airport

29th October 2013

The Board of Directors
Queenstown Airport Corporation Limited
Sir Henry Wigley Drive
QUEENSTOWN

REPRESENTATION LETTER FOR THE YEAR ENDED 30 JUNE 2013

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the disclosure financial statements of Queenstown Airport Corporation Ltd ('the company') incorporating the identified airport activities, for the year ended 30 June 2013 for the purpose of expressing an independent opinion about whether the disclosure financial statements have been prepared in accordance with the Airport Authorities Act 1966 (the Act), the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations), comply with generally accepted accounting practice and give a true and fair view of the financial position of Queenstown Airport Corporation Ltd as at 30 June 2013 and of the results of its operations for the year ended on that date.

We understand that Deloitte's examination was conducted in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the Auditing Standards issued by the New Zealand Institute of Chartered Accountants. We also understand that your examination was (to the extent that you deemed appropriate) for the objectives of:

- providing an independent opinion on the Queenstown Airport Corporation Ltd's disclosure financial statements; and
- reporting on other matters relevant to the Queenstown Airport Corporation Ltd's financial and other management systems that come to your attention and are material (for example, compliance with statutory obligations or probity).

General responsibilities

We acknowledge the following responsibilities, and to the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (i.e. we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of Queenstown Airport Corporation Ltd) to prevent and detect fraud.

Responsibilities for the disclosure financial statements

We confirm that all transactions have been recorded in the accounting records and are reflected in the disclosure financial statements, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

Queenstown Airport Corporation Limited, PO Box 64, Queenstown 9348, New Zealand
Phone: +64 3 450 9031 **Fax:** +64 3 442 3515 admin@queenstownairport.com **www.queenstownairport.com**

- we have fulfilled our responsibilities for preparing and presenting the disclosure financial statements as required by New Zealand International Reporting Standards and International Auditing Standards and, in particular, that the disclosure financial statements:
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the identified airport activities financial position of Queenstown Airport Corporation Limited Ltd as at 30 June 2013 and of the results of its operations for the year then ended;
- we believe the significant assumptions used by the Directors in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed the related party relationships and transactions in the disclosure financial statements;
- we have adjusted or disclosed all events subsequent to the date of the disclosure financial statements that require adjustment or disclosure; and
- we believe that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the disclosure financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Responsibilities to provide information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided Deloitte with:
  - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the disclosure financial statements; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you and Deloitte's the results of our assessment of the risk that the disclosure financial statements may be materially misstated as a result of fraud;
- we have disclosed to you and Deloitte's all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the disclosure financial statements;
- we have disclosed to you and Deloitte's all information in relation to allegations of fraud, or suspected fraud, affecting the entity's disclosure financial statements communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you and Deloitte's all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the disclosure financial statements; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Going concern

We confirm that, to the best of our knowledge and belief, the Queenstown Airport Corporation Limited Ltd has adequate resources to continue operations at its current level for the foreseeable future. For this reason, the Board of Directors continues to adopt the going concern assumption in preparing the disclosure financial statements for the year ended 30 June 2013. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the Queenstown Airport Corporation Ltd during the period of one year from the date these disclosure financial statements are approved, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption. Key considerations reviewed include operating and cash flow forecasts, forecast borrowing requirements and commitments.

We consider that the disclosure financial statements adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern assumption by the Queenstown Airport Corporation Ltd.

Throughout the year, the Queenstown Airport Corporation Ltd has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

The representations in this letter are made at your request, and to supplement information obtained by you from the records of the Queenstown Airport Corporation Ltd and to confirm information given to you orally.

Yours faithfully

Scott Paterson – Chief Executive

Simon Lange – GM Corporate Service

QUEENSTOWN airport

29th October 2013

Deloitte
Chartered Accountants
P O Box 1245
DUNEDIN

REPRESENTATION LETTER FOR THE YEAR ENDED 30 JUNE 2013

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the disclosure financial statements of Queenstown Airport Corporation Ltd ('the company') incorporating the identified airport activities, for the year ended 30 June 2013 for the purpose of expressing an independent opinion about whether the disclosure financial statements have been prepared in accordance with the Airport Authorities Act 1966 (the Act), the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations), comply with generally accepted accounting practice and give a true and fair view of the financial position of Queenstown Airport Corporation Ltd as at 30 June 2013 and of the results of its operations for the year ended on that date.

We understand that your examination was conducted in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the Auditing Standards issued by the New Zealand Institute of Chartered Accountants. We also understand that your examination was (to the extent that you deemed appropriate) for the objectives of:

- providing an independent opinion on the Queenstown Airport Corporation Ltd's disclosure financial statements; and
- reporting on other matters relevant to the Queenstown Airport Corporation Ltd's financial and other management systems that come to your attention and are material (for example, compliance with statutory obligations or probity).

General responsibilities

We acknowledge the following responsibilities, and to the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (i.e. we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of Queenstown Airport Corporation Ltd) to prevent and detect fraud.

Responsibilities for the disclosure financial statements

We confirm that all transactions have been recorded in the accounting records and are reflected in the disclosure financial statements, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the disclosure financial statements as required by New Zealand International Reporting Standards and International Auditing Standards and, in particular, that the disclosure financial statements:
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the identified airport activities financial position of Queenstown Airport Corporation Limited Ltd as at 30 June 2013 and of the results of its operations for the year then ended;
- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed the related party relationships and transactions in the disclosure financial statements;
- we have adjusted or disclosed all events subsequent to the date of the disclosure financial statements that require adjustment or disclosure; and
- we believe that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the disclosure financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Responsibilities to provide information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
  - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the disclosure financial statements; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the disclosure financial statements may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the disclosure financial statements;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's disclosure financial statements communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the disclosure financial statements; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Going concern

We confirm that, to the best of our knowledge and belief, the Queenstown Airport Corporation Limited Ltd has adequate resources to continue operations at its current level for the foreseeable future. For this reason, the Board of Directors continues to adopt the going concern assumption in preparing the disclosure financial statements for the year ended 30 June 2013. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the Queenstown Airport Corporation Ltd during the period of one year from the date these disclosure financial statements are approved, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption. Key considerations reviewed include operating and cash flow forecasts, forecast borrowing requirements and commitments.

We consider that the disclosure financial statements adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern assumption by the Queenstown Airport Corporation Ltd.

Throughout the year, the Queenstown Airport Corporation Ltd has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

The representations in this letter are made at your request, and to supplement information obtained by you from the records of the Queenstown Airport Corporation Ltd and to confirm information given to you orally.

Yours faithfully

John Gilks - Chairman

Alison Gerry- Director