

**QUEENSTOWN AIRPORT
CORPORATION LIMITED**

**Annual Report for the Financial Year
Ended 30 June, 2011**

QUEENSTOWN AIRPORT CORPORATION LIMITED
FINANCIAL STATEMENTS
For the Financial Year Ended 30 June, 2011

CONTENTS	PAGE
Directory	3
Annual Report	4-5
Chairman's Report	6
Chief Executive Officer's Report	7-8
Directors' Responsibility Statement	9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Statement of Accounting Policies and Notes to the Financial Statements	14-31
Statement of Service Performance	32
Statement of Corporate Intent	33-35
Audit Report	36

QUEENSTOWN AIRPORT CORPORATION LIMITED
DIRECTORY

BOARD OF DIRECTORS: Mark A Taylor (resigned 12 April 2011)
Murray G Valentine (Acting Chairman)
James WP Hadley
Alison Gerry

CHIEF EXECUTIVE OFFICER: Steve Sanderson

ACCOUNTANTS: McCulloch & Partners
Level 2
11-17 Church St
Queenstown

AUDITORS: Deloitte
(on behalf of the Controller and Auditor General)
P O Box 1245
Dunedin

BANKERS: Westpac
Terrace Junction
1092 Frankton Road
Queenstown

BNZ
Queenstown Branch
11 Rees Street
Queenstown

SOLICITORS: Lane Neave
Unit 2, 582 Wairakei Road
Christchurch

QUEENSTOWN AIRPORT CORPORATION LIMITED
ANNUAL REPORT

Your Directors have pleasure in submitting the annual report of the Company together with the financial accounts of the Company for the year ended 30 June 2011.

1. Financial Statements

The financial statements for the Company for the year ended 30 June 2011 follow this report.

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.

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

3. Board of Directors

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

Mark A Taylor (resigned 12 April 2011)
Murray G Valentine (Acting Chairman)
James WP Hadley
Alison Gerry (Appointed 10 June 2010)

4. Results For the Year Ended 30 June 2011

Net Tax Paid Profit for the year was \$4,576,120 compared to a Loss of \$3,754,534 in the previous year.

The Directors recommended on 22 August 2011 that a gross dividend of \$3,288,060 be paid, to be distributed to shareholders as follows:

Queenstown Lakes District Council	\$2,466,373.85
Auckland Airport Holdings (No 2) Limited	\$821,686.15

Appropriation Account

Net Tax Paid Profit(Loss) of	4,576,120
Plus Retained Earnings Brought Forward	3,293,211

Leaves Retained Earnings to be Carried Forward of \$7,869,331

5. Directors Interests

The following transactions were entered into by the Directors of the Company during the year.

During the year Hadley Consultants Ltd, were contracted to provide consultant engineering at the airport. Mr J Hadley, a Director during the year, is also a director of Hadley Consultants Limited.

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

All of the transactions were provided on normal commercial terms.

6. Share Dealings

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

QUEENSTOWN AIRPORT CORPORATION LIMITED
ANNUAL REPORT (Cont)

8. Directors Remuneration

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

	2011	2010
MA Taylor	43,100	45,500
DV Fea	-	26,500
MG Valentine	24,000	24,000
JW Hadley	24,000	24,000
A Gerry	24,000	-
	<hr/>	<hr/>
	\$115,100	\$120,000
	<hr/> <hr/>	<hr/> <hr/>

9. Remuneration of Employees

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

2011	
Number of Employees	Bracket
1	\$100,000 – 110,000
1	\$130,000 – 140,000
1	\$170,000 – 180,000
1	\$260,000 – 270,000

10. Donations

The Company made no donations during the year.

11. Use of Company Information

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

12. Auditor

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

On Behalf of the Board


 CHAIRMAN

Chairman's Report

Queenstown Airport remains the fastest growing Airport in New Zealand, underpinned by the growth in visitor numbers to the Queenstown Lakes District's attractions.

Despite the Chilean volcanic ash cloud last May and June, which saw up to 50% of certain weekly international aircraft movements cancelled, the airport saw a record 924,248 scheduled passengers travel - up 14% on the previous year. International passengers were up 50% at 161,089 while domestic saw an 8% lift with 767,159 passengers moving through the airport. The number of aircraft seats flown (capacity) increased by 14% to 1,176,616.

The strong growth in passenger numbers is the basis of the Airport's financial performance both in aeronautical and commercial revenues, also assisted by maintaining a focus on efficiency and cost control.

2011 EBITDA (earnings before interest, tax, depreciation and amortisation) was \$9.89M, a 31.1% increase over 2010 EBITDA of \$7.54M. 2011 NPAT (net profit after tax) of \$4.58M also represents a favourable lift of 22.1% over normalised NPAT of \$3.75M in 2010.

The Airport's financial performance, combined with last year's restructuring of the balance sheet by raising \$27.7M of new capital, has placed Queenstown Airport in a position to return for the first time a dividend to its Shareholders.

A number of key infrastructure projects were completed during the year including the RESA (Runway End Safety Area), which was essential for the continuation of international flights to Queenstown. The installation of runway lights will not only improve daylight operations in marginal visibility, but will also open the opportunity to maximise the airport's existing 6am to 10pm operating hours. This improves convenience for our visitors and maximises the use of the airport's infrastructure.

On behalf of my fellow Directors I would like to acknowledge the contribution of our retiring Chairman Mark Taylor and wish to thank the Queenstown Airport team for their contribution during the year.



Chief Executive Officer's Report

Last year I started my commentary about growth and the year under review has been no different, with Queenstown Airport continuing to be one of Australasia's fastest growing airports.

We hosted 924,248 passengers for the year, an increase of 14%. Our prediction of a milestone one million passengers was knocked by flight cancellations due to Chilean volcanic ash.

The impact of this natural disaster compounded other unfortunate events such as the Christchurch and Japanese earthquakes demonstrate the fragility of projections in the tourism business and consequently the need to be fit financially and operationally to deal with the unknown.

A key challenge in the financial year was to complete several essential infrastructure projects to meet immediate growth as well as ongoing strategic projects to comply with our master plan. All were seamlessly achieved thanks to outstanding work by our Airport team and our partners.

We have just passed the first annual anniversary of our strategic partnership with Auckland Airport. The relationship has been valuable and robust, and we have benefitted from their knowledge and expertise in many areas including commercial developments, engineering and route development. The relationship has been invaluable and has contributed immeasurably to the making Queenstown Airport more efficient.

Boosted by passenger numbers and an increase in aircraft traffic, the financial performance of the Company was strong with operating revenues increasing 17% to \$15.6m. The increase in passengers also saw a healthy lift in revenues from retail and commercial concessions. Our EBITDA increased 29.6% to \$9.9m.

Passenger movements over the last year have been exceptional with continued double-digit passenger growth. International passenger numbers grew by 50% while domestic grew by 8%.

This strong growth has been influenced by several factors including increased flight frequency on traditional routes, the addition of Gold Coast as a new route, an increase in the average number of seats in aircraft and more people electing flying as their preferred form of transport. Indeed seat capacity in and out of Queenstown Airport grew by 14% in the last year.

Our airline customers – Air New Zealand, Jetstar, Qantas and Pacific Blue, also grew their services. Jetstar introduced international flights in December and increased its weekly capacity on the Auckland/Queenstown sector by 57%. Qantas introduced new flights and Air New Zealand increased its capacity with larger aircraft and more flights.

This year most retailers experienced good growth from the higher passenger numbers, with a several stand-outs including Patagonia (renowned for its ice cream and chocolates) and Duty Free. Demand for retail space in the terminal is strong and with the opening of Global Culture our retail tenancies are fully leased.

The demand from rental car operators is also very strong. Our rental car facilities are fully tenanted and we are working to develop new areas. Queenstown Airport continues to be a key component of New Zealand's rental car industry.

The appointment of iSite Media to manage the advertising rights throughout the Airport is already proving to be a good partnership and backed by our Queenstown brand, we expect strong growth in advertising revenues into the future.

Our continual growth has accelerated the rollout of our Master Plan. This year we completed a number of strategic projects including tripling the size of our baggage make up facility, increasing our baggage reclaim area by 40%, creating additional aircraft stands and extending the apron to cater for corporate jet parking and future terminal expansion.

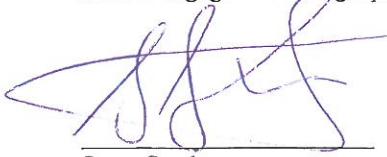
Most importantly we completed ahead of schedule the runway end safety areas (RESA), a mandatory requirement for international flights.

The planning for our terminal extension is well underway, which will particularly cater for our international passenger growth, but will also include larger public areas, better passenger flows, retail spaces, and larger airline lounges.

We are excited about the period ahead, especially the opportunity our newly commissioned runway lights represent. We anticipate airlines gaining approval to fully utilise our consented hours and look forward to new schedules being developed to meet demand for travel to Queenstown.

I wish to thank our airline customers – Air New Zealand, Jetstar, Qantas, and Pacific Blue. All the airlines during the year under review have demonstrated their strong commitment to the region.

Thank you to my dedicated team and to the 320 professionals representing 60 businesses at the Airport, for working so hard to engage in creating a positive visitor experience.

A handwritten signature in blue ink, appearing to read 'S. Sanderson', written over a horizontal line.

Steve Sanderson
CEO

**QUEENSTOWN AIRPORT CORPORATION LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors of Queenstown Airport Corporation Limited are pleased to present the Annual Report and Financial Statements for Queenstown Airport Corporation Limited for the year to 30 June 2011.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice which give a true and fair view of the financial position of the Company as at 30 June 2011 and the results of operations and cash flows for the year ended on that date.

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

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

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

This Annual Report is dated 22/08/2011 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Board by:

Director

Director

Date

22/8/11

QUEENSTOWN AIRPORT CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year Ended 30 June, 2011

	Notes	2011 \$	2010 \$
Income			
Revenue	2 (a)	15,628,361	13,327,953
Other gains/(losses)	2 (a)	(49,131)	(515,512)
Total income		<u>15,579,230</u>	<u>12,812,441</u>
Expenditure			
Operating Expenses		3,902,783	2,837,992
Employee benefits expense	2 (b)	1,697,888	1,409,634
Depreciation expense	2 (c)	2,926,321	2,493,959
Amortisation		11,445	11,446
Finance costs	2 (d)	768,435	1,701,678
Runway maintenance		27,321	102,077
Audit Fees	4	60,085	83,381
Fringe Benefit Tax		10,119	8,208
Subvention Payment		-	81,261
Loss on revaluation of property, plant & equipment		-	751,228
Total operating expenditure		<u>9,404,397</u>	<u>9,480,864</u>
Surplus before income tax		6,174,833	3,331,577
Less:			
Income tax expense	3	1,598,713	7,086,111
Profit/(Loss) for the year		<u>\$4,576,120</u>	<u>\$(3,754,534)</u>
Other comprehensive income			
Revaluation of properties		-	77,010,830
Cash flow hedges	6	(356,860)	-
Income tax relating to components of other comprehensive income	3 (d)	99,921	(2,022,640)
Other comprehensive income for the year net of tax		<u>(256,939)</u>	<u>74,988,190</u>
Total comprehensive income for the year, net of taxation		<u><u>\$4,319,181</u></u>	<u><u>\$71,233,656</u></u>

The accompanying notes form part of these financial statements.

QUEENSTOWN AIRPORT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 June, 2011

	Notes	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	17 (a)	485,790	165,837
Trade and other receivables	5	1,822,835	1,032,479
Prepayments		47,920	304,425
Total current assets		<u>2,356,545</u>	<u>1,502,741</u>
Non-current assets			
Property, plant and equipment	7	143,536,983	132,259,841
Other financial assets	6	17,301	66,432
Intangible Assets	19	1,275,143	956,042
Total non-current assets		<u>144,829,427</u>	<u>133,282,315</u>
Total assets		<u>147,185,972</u>	<u>134,785,056</u>
Current liabilities			
Trade and other payables	8	3,036,917	1,552,242
Income in advance		118,223	90,092
Employee entitlements	9	155,713	181,934
Current tax payable	3	215,801	720,712
Borrowings (secured)	10	4,000,000	35,749,951
Total current liabilities		<u>7,526,654</u>	<u>38,294,931</u>
Non-current liabilities			
Borrowings (secured)	10	11,600,000	-
Other financial liabilities	6	828,330	471,470
Deferred tax liabilities	3	6,973,024	7,325,055
Total non-current liabilities		<u>19,401,354</u>	<u>7,796,525</u>
Total liabilities		<u>26,928,008</u>	<u>46,091,456</u>
Net assets		<u>120,257,964</u>	<u>88,693,600</u>
Equity			
Share capital	11	37,657,382	10,412,199
Retained earnings	12	7,869,331	3,293,211
Revaluation reserve		74,988,190	74,988,190
Hedge Reserve	20	(256,939)	-
Total equity		<u>120,257,964</u>	<u>88,693,600</u>

The accompanying notes form part of these financial statements.



QUEENSTOWN AIRPORT CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Financial Year ended 30 June, 2011

	Notes	2011 \$	2010 \$
Equity at beginning of year		88,693,600	17,378,683
Profit / (loss)	12	4,576,120	(3,754,534)
Other comprehensive income	20	(256,939)	74,988,190
Contributions from shareholders	11	27,245,183	81,261
Equity at end of year		<u>120,257,964</u>	<u>88,693,600</u>

The accompanying notes form part of these financial statements.



QUEENSTOWN AIRPORT CORPORATION LIMITED
CASH FLOW STATEMENT
For the Financial Year ended 30 June, 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		15,541,428	12,994,727
Interest received		8,333	150
Payments to suppliers and employees		(6,039,483)	(4,087,053)
Interest paid		(768,435)	(1,565,347)
Income tax paid (net)		(2,355,733)	(633,143)
Net GST (payment) /receipt		(683,626)	(47,398)
Net cash inflow/(outflow) from operating activities	17 (b)	<u>5,702,484</u>	<u>6,661,936</u>
Cash flows from investing activities			
Proceeds from sale of land		-	63,500
Proceeds from sale of plant and equipment		21,609	-
Purchase of property, plant and equipment		(12,168,822)	(11,321,992)
Purchase of Intangible Assets		(330,546)	(411,370)
Net cash inflow/(outflow) from investing activities		<u>(12,477,759)</u>	<u>(11,669,862)</u>
Cash flows from financing activities			
Net proceeds from issue of shares		27,245,179	81,261
Net proceeds from borrowings/(repayments)		(20,149,951)	5,249,951
Net cash inflow / (outflow) from financing activities		<u>7,095,228</u>	<u>5,331,212</u>
Net increase/(decrease) in cash and cash equivalents		<u>319,953</u>	<u>323,286</u>
Cash and cash equivalents at the beginning of the financial year		<u>165,837</u>	<u>(157,449)</u>
Cash and cash equivalents at the end of the financial year	17(a)	<u>\$485,790</u>	<u>\$165,837</u>

The accompanying notes form part of these financial statements.



QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year ended 30 June, 2011

1. 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

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

The Company qualifies for Differential Reporting exemptions as it does not have public accountability (as that term is defined in NZ IFRS) and it is not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted with the exception of NZ IAS-7 ‘Cash Flow Statements’ and NZ IAS-12 ‘Income Taxes’ with which the Company has fully complied.

The 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.

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 are the Company’s functional currency.

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year ended 30 June, 2011

1. SUMMARY OF ACCOUNTING POLICIES cont.

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

SIGNIFICANT ACCOUNTING POLICIES

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.

Revenue

Landing Dues are recognised in the accounting period in which the actual service is provided to the customer.

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

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.

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.

Other Gains and Losses

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the Statement of Financial Performance on a basis representative of the pattern of benefits to be derived from the leased asset.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

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 Statement of Financial Performance because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

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

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year ended 30 June, 2011

1. SUMMARY OF ACCOUNTING POLICIES cont.

Taxation cont.

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 a 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.

Statement of Cash Flows

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

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

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

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

Financial Instruments

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

(i) Financial Assets

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

• Financial Assets at Fair Value Through Profit or Loss

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

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

• Loans and Receivables

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

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year ended 30 June, 2011

1. SUMMARY OF ACCOUNTING POLICIES cont.

Financial Instruments cont.

• 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.

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

(ii) **Financial Liabilities**

• Trade & Other Payables

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

• Borrowings

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

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

(iii) **Derivative Financial Instruments**

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

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

Hedge accounting

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

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedged relationship is highly effective in offsetting changes in fair values or cash flows hedged item. Note 6 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in other comprehensive income.

QUEENSTOWN AIRPORT CORPORATION LIMITED
Notes to the Financial Statements (Cont.)
For the Financial Year ended 30 June, 2011

1. SUMMARY OF ACCOUNTING POLICIES cont.

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

Revaluations

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

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

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

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

Fair Value

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

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year ended 30 June, 2011

1. SUMMARY OF ACCOUNTING POLICIES cont.

Property, Plant and Equipment cont.

assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value.

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

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

Depreciation

Depreciation is provided on a diminishing value (DV) basis for all assets except runways so as to write-off the carrying value cost of each asset to its estimated residual value over its estimated useful life. The runway is depreciated on a straight line (SL) basis.

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

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

	Rate (%)	Method
Operational Assets		
Buildings	2.5-33%	DV
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 reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over the assessed estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for prospectively.

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year ended 30 June, 2011

1. SUMMARY OF ACCOUNTING POLICIES cont.

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.

Standards and interpretations effective in the current period

There are a number of standards and interpretations on issue but not effective. None of these are expected to have any impact on QAC (either from a recognition or a disclosure perspective).

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year ended 30 June, 2011

	2011	2010
	\$	\$
2. SURPLUS FROM OPERATIONS		
(a) Revenue		
Revenue consisted of the following items:		
<u>Revenue:</u>		
Revenue from rendering of services:		
Landing dues	6,933,428	6,003,205
Carpark revenue	1,412,610	1,253,813
Departure Levy	1,577,897	1,105,229
	<u>9,923,935</u>	<u>8,362,247</u>
Operating lease rental revenue	4,659,371	3,968,884
	<u>4,659,371</u>	<u>3,968,884</u>
Interest Revenue:		
Bank deposits	8,203	-
Inland Revenue Department	130	150
	<u>8,333</u>	<u>150</u>
Other revenue	1,036,722	996,672
	<u>1,036,722</u>	<u>996,672</u>
	<u>\$15,628,361</u>	<u>\$13,327,953</u>
<u>Other (Losses):</u>		
Net change in fair value of derivative financial instruments classified at fair value through profit or loss (forward exchange contracts)	(49,131)	(578,452)
Gain on sale of land	-	62,940
	<u>\$(49,131)</u>	<u>\$(515,512)</u>
(b) Employee Benefits Expense		
Salaries and wages	1,582,788	1,289,634
Directors fees	115,100	120,000
	<u>\$1,697,888</u>	<u>\$1,409,634</u>
(c) Depreciation Expense		
Buildings	1,287,111	1,073,058
Roading & Carparking	422,549	259,222
Plant and equipment	303,359	334,383
Runway	695,303	521,109
Motor vehicles	3,021	4,083
Furniture	68,579	127,631
Rescue fire	146,399	174,473
	<u>\$2,926,321</u>	<u>\$2,493,959</u>

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year Ended 30 June, 2011

	2011	2010
	\$	\$
2. SURPLUS FROM OPERATIONS cont.		
(d) Finance Costs		
Interest on loans	752,723	1,695,139
Other interest expense	15,712	6,539
	<u>\$768,435</u>	<u>\$1,701,678</u>
3. INCOME TAXES		
(a) Income Tax Recognised in Profit or Loss		
Tax expense/(income) comprises:		
Current tax expense/(credit):		
Current year	1,850,822	1,127,216
Adjustments for prior years	-	(24,693)
	<u>1,850,822</u>	<u>1,102,523</u>
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	4,724	106,556
Adjustments relating to changes in tax rates	-	(378,744)
Deferred tax relating to future non depreciation of buildings for tax purposes	(305,381)	6,481,147
Deferred tax on revaluation recognised in surplus before tax	-	(225,371)
Adjustment for prior year	48,548	-
	<u>(252,109)</u>	<u>5,983,588</u>
Total tax expense	<u>\$1,598,713</u>	<u>\$7,086,111</u>
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	<u>6,174,833</u>	<u>3,331,577</u>
Income tax expense calculated at 30%	1,852,450	999,473
Adjustments relating to change in tax rates	-	(378,744)
Permanent differences	3,096	(18,881)
Reversal of temporary difference		253,180
Adjustment for prior years	48,556	(24,693)
Revaluation recognised in surplus before tax	-	(225,371)
Deferred tax relating to future non depreciation of buildings for tax purposes	(305,389)	6,481,147
Income tax expense	<u>\$1,598,713</u>	<u>\$7,086,111</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. Deferred tax has been calculated using the future corporate rate of 28%.

(b) Income Tax Recognised Directly In Other Comprehensive Income

\$99,921 (2010: \$2,022,640) of deferred tax has been charged directly to other comprehensive income during the period, relating to the fair value movement of derivative financial instruments (2010: revaluation of property, plant and equipment (excluding land)).

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year Ended 30 June, 2011

	2011	2010
	\$	\$

3. INCOME TAXES cont.

(c) Current Tax Assets and Liabilities

Current Tax Refundable:

Current tax refundable	\$Nil	\$Nil
------------------------	-------	-------

Current Tax Payable :

Current tax payable	\$215,801	\$720,712
---------------------	-----------	-----------

(d) Deferred Tax Balances Comprise:

Taxable and deductible temporary differences arising from the following:

2011	Opening balance	Charged to profit for the year	Charged to other comprehensive income	Closing balance
Gross deferred tax assets/(liability):				
Temporary differences	(7,325,055)	252,109	99,921	(6,973,024)
	<u>(7,325,055)</u>	<u>252,109</u>	<u>99,921</u>	<u>(6,973,024)</u>

2010	Opening balance	Charged to profit for the year	Charged to other comprehensive income	Closing balance
Gross deferred tax assets/(liability):				
Temporary differences	680,857	(5,983,588)	(2,022,640)	(7,325,055)
	<u>680,857</u>	<u>(5,983,583)</u>	<u>(2,022,640)</u>	<u>(7,325,055)</u>

(e) Imputation Credit Account Balances

	2011	2010
	\$	\$
Balance at beginning of year	2,500,014	1,899,933
Income tax paid	2,352,713	633,229
Resident withholding tax paid	3,020	-
Income tax refunded	-	(33,148)
	<u>2,500,014</u>	<u>1,899,933</u>
Balance at end of year	<u>\$4,855,747</u>	<u>2,500,014</u>



QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year Ended 30 June, 2011

	2011	2010
	\$	\$
4. REMUNERATION OF AUDITORS		
Audit fees for financial statement audit	37,885	28,775
Audit fees for disclosure financial statements	22,200	54,606
	<u>\$60,085</u>	<u>\$83,381</u>

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

5. TRADE & OTHER RECEIVABLES

Trade receivables	1,100,415	993,686
Allowance for doubtful debts	-	-
	<u>1,100,415</u>	<u>993,686</u>
Goods and services tax (GST) receivable	722,420	38,793
	<u>\$1,822,835</u>	<u>\$1,032,479</u>

6. OTHER FINANCIAL ASSETS/(LIABILITIES)

Derivative financial assets/(liabilities);

- Interest rate swap (i) (effective)	(828,330)	(471,470)
- Interest rate option (ii) (not designated)	17,301	66,432
	<u>\$(811,029)</u>	<u>\$(405,038)</u>

(i) The Company holds three interest rate swap agreements for \$5,000,000 each, which are effective from 1 July 2010, 1 January 2012 and 1 April 2012. The interest rate is fixed at 5.640%, 6.300% and 6.08% respectively.

(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 Company designated the interest rate swaps effective in accordance with NZ IAS 39 in the current year. 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.

The interest rate option is not accounted for under NZ IAS 39 therefore the resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year Ended 30 June, 2011

7. PROPERTY, PLANT AND EQUIPMENT

	Cost/ Valuation \$	2011 Accumulated Depreciation \$	Net Book Value \$
Land	76,105,872	-	76,105,872
Building	31,940,794	(1,287,111)	30,653,683
Roading & Car Parking	5,784,710	(422,549)	5,362,161
Plant & Equipment	2,641,664	(1,177,265)	1,464,398
Runway	29,043,457	(695,303)	28,348,154
Motor Vehicles	44,355	(35,756)	8,599
Furniture	561,451	(400,827)	160,624
Rescue Fire	2,173,865	(740,374)	1,433,492
	<u>\$148,296,168</u>	<u>\$4,759,185</u>	<u>\$143,536,983</u>

	Cost/ Valuation \$	2010 Accumulated Depreciation \$	Net Book Value \$
Land	75,977,126	-	75,977,126
Buildings	27,795,709	-	27,795,709
Roading & Carparking	5,784,710	-	5,784,710
Plant & Equipment	1,726,992	(873,906)	853,086
Runway	20,083,255	-	20,083,255
Motor Vehicles	44,355	(32,735)	11,620
Furniture	525,679	(332,248)	193,431
Rescue Fire	2,154,878	(593,974)	1,560,904
	<u>134,092,704</u>	<u>(1,832,863)</u>	<u>132,259,841</u>

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

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

Impairment losses recognised during the period were \$Nil (2010: \$Nil).

8. TRADE & OTHER PAYABLES

	2011 \$	2010 \$
Trade payables (i)	2,313,812	1,086,794
Other creditors and accruals	723,105	465,448
	<u>\$3,036,917</u>	<u>\$1,552,242</u>

(i) The average credit period on purchases is 30 days.

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year Ended 30 June, 2011

	2011	2010
	\$	\$
9. EMPLOYEE ENTITLEMENTS		
Accrued salary and wages	72,465	87,838
Annual leave	83,248	94,096
	<u>\$155,713</u>	<u>\$181,934</u>
10. BORROWINGS		
At amortised cost		
Bank borrowings (secured) (i)	15,600,000	35,749,951
	<u>\$15,600,000</u>	<u>\$35,749,951</u>
Disclosed in the financial statements as:		
Current	\$4,000,000	35,749,951
Non-current	\$11,600,000	-
	<u>\$15,600,000</u>	<u>\$35,749,951</u>

(i) The Bank of New Zealand loan is secured by a debenture over the Company's assets and undertakings. 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 5.34% (2010: 4.34%).

The Company has a secured facility with the Bank of New Zealand of \$4 million and with Westpac of \$22 million. The Company may draw funding for terms ranging from call to three years.

	2011	2010
		\$
Amount used		
- Overdraft	-	-
- Borrowings	15,600,000	35,749,951
Amount unused	10,400,000	8,250,049
	<u>\$26,000,000</u>	<u>\$44,000,000</u>
11. SHARE CAPITAL		
Fully paid ordinary shares	37,657,382	10,412,199
	<u>\$37,657,382</u>	<u>\$10,412,199</u>

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year Ended 30 June, 2011

	Number		Value	
	2011	2010	2011	2010
(a) Fully Paid Ordinary Shares				
Balance at beginning of year	12,046,880	11,998,690	10,412,199	10,330,938
Issue of shares	4,013,485	48,190	27,245,183	81,261
Balance at end of year	<u>16,060,365</u>	<u>12,046,880</u>	<u>\$37,657,382</u>	<u>\$10,412,199</u>

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

On 8 July 2010 the Company issued 4,013,485, fully paid up shares, to Auckland Airport Holdings (No 2) Ltd.

Proceeds recovered are net of issue costs of \$487,000.

12. RETAINED EARNINGS

Balance at beginning of year	3,293,211	7,047,745
Total profit/ (loss) for the year	4,576,120	(3,754,534)
Balance at end of year	<u>\$7,869,331</u>	<u>\$3,293,211</u>

13. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments -

Runway End Safety Area	430,000	\$3,790,309
Lot 22 – Staff Carpark	256,000	-
BP Fuel Farm	250,000	-
	<u>936,000</u>	<u>\$3,790,309</u>

(b) Company as Lessee; Operating Lease Commitments

Non-cancellable operating lease payments		
Not longer than 1 year	20,379	13,416
Longer than 1 year and not longer than 5 years	20,961	14,924
	<u>\$41,340</u>	<u>\$28,340</u>

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year Ended 30 June, 2011

13. COMMITMENTS FOR EXPENDITURE cont.

(c) Company as Lessor; Operating Lease Rental

Less than 12 months	3,000,167	3,047,683
1-5 years	3,990,857	5,065,331
5 years +	1,631,745	923,029
	8,622,770	9,036,043
	8,622,770	9,036,043

14. CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are no known contingent liabilities or contingent assets.

15. RELATED PARTY DISCLOSURES

(a) Parent entity

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

(b) Transactions with Related Parties

Related parties of the Company are:

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

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

	2011	2010
	\$	\$
<u>Queenstown Lakes District Council</u>		
Rates	(257,430)	(146,878)
Resource Consent costs	(79,272)	(130,283)
Computer Equipment & Support	(14,046)	-
Subvention payment	-	(81,261)
Issue of Shares	-	81,261
Wanaka Airport Management Fee	70,000	70,000
<u>Lakes Environmental Ltd</u>		
Resource Consent costs & Collection Fees	(16,126)	(19,466)
<u>Trojan Holdings Limited</u>		
Rubbish removal services	(72,338)	(53,348)
Rent Received	33,624	34,602

Lakes Leisure's netball courts are located on QAC's buffer land.

Negotiations between LL and QAC and the Queenstown Events Centre Trust for long term access to the land are continuing. No revenue has been derived from this arrangement in the year (2010 \$Nil).

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year Ended 30 June, 2011

15. RELATED PARTY DISCLOSURES Cont.

<u>Hadley Consultants Limited</u>		
Consultant Engineering Services	(7,711)	-
<u>Auckland International Airport</u>		
Travel Expenses	(138)	-
The following amounts were receivable from related parties at balance date:		
Trojan Holdings Ltd	-	774
Queenstown Lakes District Council (Wanaka Airport Management Fee)	20,125	-
The following amounts were payable to related parties at balance date:		
Trojan Holdings Ltd	6,526	3,872
Lakes Environmental Ltd	1,311	-

(c) Other Transactions Involving Related Parties

There were no other transactions with related parties.

16. SUBSEQUENT EVENTS

On 22 August 2011 the Board resolved to pay a dividend of \$0.205 per share, resulting in a gross dividend of \$3,288,060. There were no other significant events after balance date (2010:Nil).

17. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents/dividen

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash and cash equivalents	15,241	16,192
Bank account /(overdraft)	470,549	149,645
	<u>\$485,790</u>	<u>\$165,837</u>

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

Profit(Loss) for the year	4,576,120	(3,754,534)
Add/(less) non-cash items:		
Amortisation	11,445	11,446
Depreciation	2,926,321	2,493,959
Net change in fair value of derivative financial instruments	49,131	405,038
Loss on revaluation of Property, plant & equipment	-	751,228
Gain on sale of property, plant and equipment	-	(62,940)
	<u>7,563,017</u>	<u>(155,803)</u>
Changes in assets and liabilities:		
Increase in Trade and other receivables	(790,356)	(371,241)
Decrease in Prepayments	256,505	(264,483)
Decrease in Current tax payable	(504,911)	469,609

QUEENSTOWN AIRPORT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Financial Year Ended 30 June, 2011

17. NOTES TO THE CASH FLOW STATEMENT Cont.

Increase in Trade and other payables	1,484,679	631,318
Increase in Income in advance	28,130	(628)
Decrease in Employee entitlements	(26,221)	10,292
Increase in Deferred tax liability	(252,109)	5,983,272
Movement in items reclassified as investing and financing activities	(2,056,250)	359,600
	<u>(1,860,533)</u>	<u>6,817,739</u>
Net cash inflow from operating activities	<u>\$5,702,484</u>	<u>\$6,661,936</u>

18. 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 1 to the financial statements.

(c) Categories of Financial Instruments

	<u>2011</u>	<u>2010</u>
	\$	\$
Financial Assets		
Cash and cash equivalents	485,790	165,837
Trade and other receivables	1,100,415	993,686
Other financial assets	17,301	66,432
Financial Liabilities		
Trade and other payables	3,036,921	1,552,242
Borrowings	15,600,000	35,749,951
Other financial liabilities	828,330	471,470

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

QUEENSTOWN AIRPORT CORPORATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont.)
 For the Financial Year Ended 30 June, 2011

19. 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.

	2011 \$	2010 \$
Cost		
Opening Balance	974,165	562,795
Additions from internal developments	330,546	411,370
	<hr/>	<hr/>
Closing balance	1,304,711	974,165
	<hr/>	<hr/>
Accumulated amortisation		
Opening balance	18,123	6,677
Amortisation expense	11,445	11,446
	<hr/>	<hr/>
Closing balance	29,568	18,123
	<hr/>	<hr/>
Carrying Value	<u>\$1,275,143</u>	<u>\$956,042</u>

20. 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.

	\$	\$
Balance at beginning of the year	-	-
Gain/(Loss) recognised on cash flow hedges:		
Interest rate swaps	(356,860)	-
Income tax related to gains/losses recognised in other comprehensive income	99,921	-
	<hr/>	<hr/>
Closing balance	<u>(256,939)</u>	<u>-</u>

QUEENSTOWN AIRPORT CORPORATION LIMITED
STATEMENT OF SERVICE PERFORMANCE

The Airport continues to work with all stakeholders to create a Master Plan for the Airport to align with the Region’s growth.

PERFORMANCE MEASURES

- Develop a Master Plan that can be used, as a blue print and implemented as growth and development requires.
- Continue to liaise with the Council as shareholders, the community, and other stakeholders, in order to promote the concept of “responsible use of airspace over Queenstown”.

OUTCOME

- The Company completed its Master Plan out to 2037 and is currently working on comprehensive Terminal Expansion plans.
- Implemented further stages of the Master Plan including: completing its RESA project, installing runway lights and expanding its Baggage Makeup Area and Baggage Reclaim areas.
- The Airport provides six-monthly reports to Council.
- The Airport has attended local Residential Association meetings and provided presentations to local organisations. .

	2011 Actual \$	2011 Forecast \$
Income	15,579,230	12,284,000
Operating Expenses	(9,404,397)	(9,150,000)
Net Surplus/(Deficit) Before Tax	6,174,833	3,134,000
Taxation	(1,598,713)	(941,000)
Other Comprehensive Income	-	
Net Surplus/(Deficit) After Tax	\$4,576,120	\$2,193,000



**QUEENSTOWN AIRPORT CORPORATION LIMITED
STATEMENT OF CORPORATE INTENT**

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

GOALS

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

OBJECTIVES

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

Objective	Measurable
Provide suitable terminal facilities for satisfactory trans-Tasman and domestic operations.	Survey airport customers & users. Consideration of feedback and incorporation into future planning.
Provide suitable land transport options.	Provide suitable facilities for public & commercial transport options.
Promote planning measures designed to ensure the mission and goals of QAC can be achieved.	Active involvement in surrounding land developments.
	Achieve planning that is consistent with airport operations driven by the Master Plan.
Ensure adequate communication exists between the QAC, the community and its elected representatives by way of an ongoing public information service and the holding of regular open meetings with a liaison group comprising community group representatives, interested individuals, airport users, etc., while continuing existing reporting systems.	Progress Noise Boundary Plan Change (PC35) to Hearing and decision. Attend & participate in community, user groups, and appropriate business meetings. QAC Environmental Meeting. Reporting to Shareholders 6 monthly. Annual Report Document.
Manage the noise impact of the airport in accordance with the district plan taking into account the surrounding residential and business	Noise monitoring to meet compliance specified within the District Plan. Manage noise to mitigate impact – liase through traffic



areas.	management where possible.
Promote environmental sustainability and minimise airport impact on the environment.	Introduction of recycling and waste awareness policy. Commence project to identify requirements to become carbon neutral.
Complete the constructions of Runway Extension Safety Area requirements within the prescribed transitional timeframes.	Report on RESA progress against project plan to meet prescribed timeframe.
Achieve the financial forecasts.	See financial forecasts.

QUEENSTOWN AIRPORT CORPORATION LIMITED
STATEMENT OF CORPORATE INTENT (cont.)

Actual Performance achieved

1. The Company has completed a comprehensive capacity study and Terminal expansion plans incorporating feedback from airlines, border control agencies and other stakeholders. The study will be the foundation for further expansion of Terminal capacity.
2. The Company continues to be involved in ensuring that surrounding land developments and planning are consistent with the Airport's operations. The Airport progressed its Noise Boundary Plan Change (PC35) to a Hearing and Decision. Following appeals, PC35 is scheduled to be heard by the Environment Court in January 2012.
3. The Shareholders of the Company are represented at Board meetings as observers, and the Company provides six monthly and annual reports to the Shareholders. Regular meetings are held with Airport users and interested members of the public regarding Airport operations.
4. The Company continues to promote "the responsible use of airspace over Queenstown" through the Queenstown/Milford Users Group.
5. The Company supports recycling by providing external and internal recycling bins throughout the Airport.
6. The Airport has completed its RESA (Runway End Safety Area) project ahead of schedule and the deadline of October 2011 to secure international flights.
7. The Airport completed the runway lights project, improving daylight operations, and paving the way to maximise the Airport's operating hours of 6am to 10pm.
8. The Airport expanded facilities including a dedicated Help Desk, extension of the Baggage Make Up Area, and a 40% increase in reclaim baggage belts.
9. The forecast profit result in the Company's Statement of Intent was a surplus after tax of \$2.193M. The actual result was a surplus of \$4.57M.
10. The actual shareholders funds to total assets is 81.7%.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEENSTOWN COMPANY CORPORATION LIMITED'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

The Auditor-General is the auditor of Queenstown Company Corporation Limited (the company). The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 10 to 31, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 32 to 35.

Opinion on the financial statements and the statement of service performance

In our opinion,

- the financial statements of the company on pages 10 to 31:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 32 to 35:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

Opinion on other legal requirements

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

Our audit was completed on 22 August, 2011. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk

Deloitte.

assessments, we consider internal control relevant to the company's preparation of the financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

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

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

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

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have audited the company's disclosure financial statements which is compatible with these independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the company.



Peter Gulliver
Partner

DELOITTE

On behalf of the Auditor-General
Dunedin, New Zealand



Matters relating to the electronic presentation of the audited financial statements and performance information

This audit report relates to the financial statements and performance information of Queenstown Company Corporation Limited (the Company) for the year ended 30 June 2011 included on the Company's website. The *Board of Directors* is responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website. The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 22 August 2011 to confirm the information included in the audited financial statements and performance information presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.