



QUEENSTOWN AIRPORT

2009 Annual Report

queenstownairport.com





"Queenstown Airport is a key driver of economic prosperity in the Lakes District and an outstanding international gateway for the region. The development of air noise boundaries that will give certainty to operations through to 2037, the completion of consents for the RESA project and the acquisition of land for future expansion are all milestones that will ensure the safe and effective operation of the Airport into the foreseeable future. The Directors and Executive have, through a year characterised by uncertainty and doubt, produced an outstanding result for the Company and the local visitor industry."

Mayor Clive Geddes
Queenstown Lakes District Council.



Contents

QUEENSTOWN AIRPORT CORPORATION LIMITED

Financial Statements For the Financial Year Ended 30 June, 2009

Chairman's Report	4
Chief Executive Officer's Report	7
Directors' Responsibility Statement	12
Statement of Financial Performance	14
Statement of Financial Position	15
Statement of Recognised Income & Expense	16
Cash Flow Statement.....	17
Notes to the Financial Statements	18
Statement of Service Performance.....	37
Statement of Corporate Intent.....	38
Audit Report.....	40
Statutory Disclosures	42
Directory.....	44

Chairman's Report

The year in review was characterised by doing the things we needed to do.

As highlighted in our last two Annual Reports we must meet CAA safety requirements to extend our runway by 2011 to maintain trans-Tasman flight operations. During the year we prepared for and secured the resource consents to build the Runway End Safety Area (RESA). We also undertook the planning necessary for construction to commence in the last quarter of this year, with completion due in October 2011.

Extensive planning work went into reviewing, extending and republishing our 2023 Master Plan through to 2037, after substantial growth outstripped the most recent plan published in 2003.

The Airport's Master Plan is a rolling document that always looks 20 years out and is something we continuously refer to and review. It provides a framework for us to develop against as market conditions demand and represents a vital part of the Airport's mandate to the community. Our mission statement is to provide an airport and related facilities that serve the growing needs of the community of the Lakes District. The new, updated Master Plan is available on our website.

Latest forecasts for Queenstown Airport show scheduled passengers and non-scheduled passengers (such as helicopter sightseers) will almost quadruple within the next 30 years. As detailed in the CEO's Report we have undertaken an exhaustive assessment of how this growth will impact on all aspects of our operation. The revised Master Plan outlines plans for a new Aviation Park on the Airport's southern boundary and expansion of the main terminal building.

Another key element of our master planning has been the ongoing process of securing revised air noise boundaries. While the process for the proposed plan change to incorporate the new noise boundaries is underway, the position of the existing boundaries will not impact on the Airport's operations in the near future.

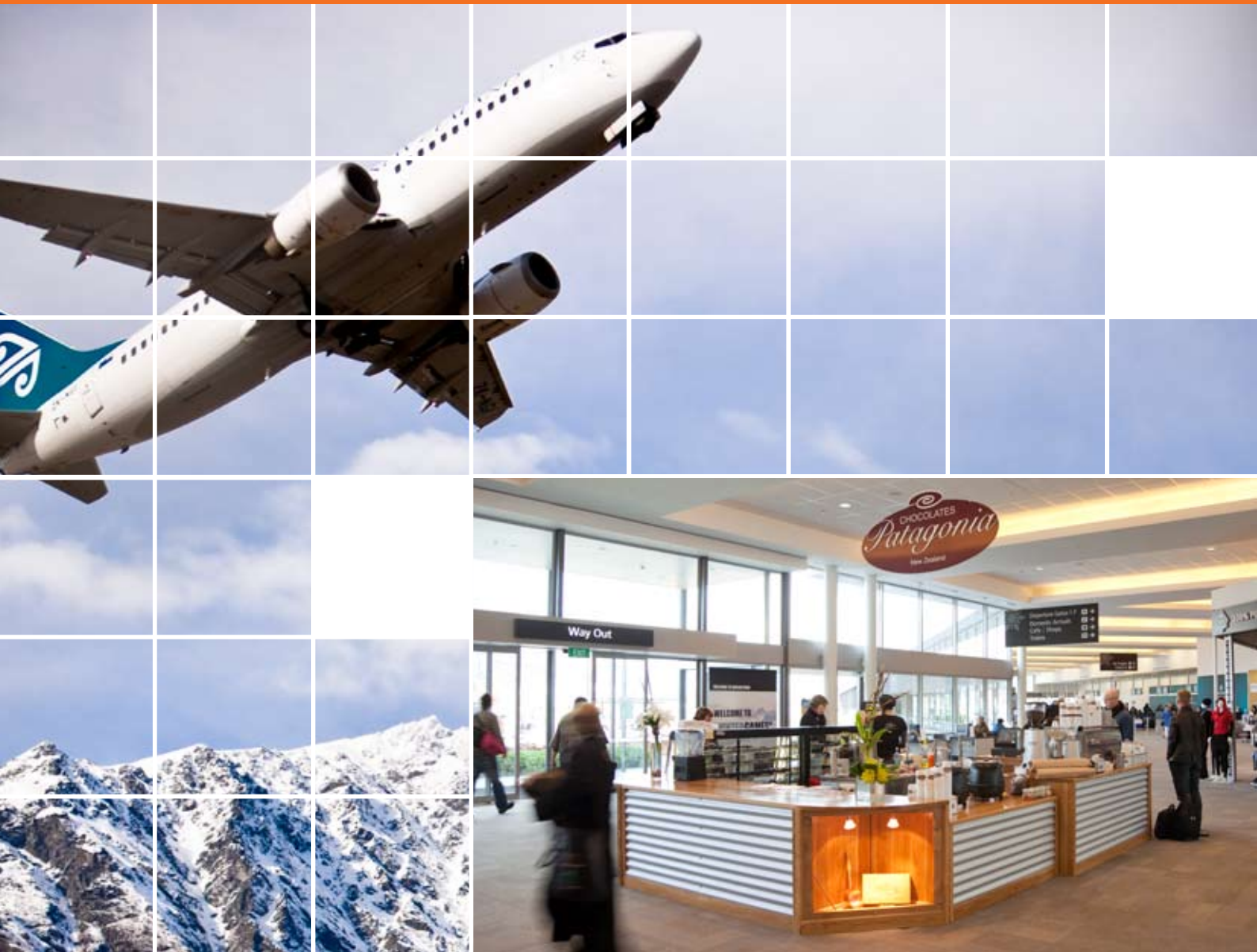
For the coming year we are forecasting significant overall growth on trans-Tasman routes, particularly out of the all-important Sydney market. A 4 percent drop in our domestic passengers this year was offset by a nearly 20 percent increase in international travellers. The Australian economy appears less affected by the global financial crisis than that of New Zealand and the exchange rate remains reasonably favourable.

Forecast growth reinforces the need to extend the Airport's operational hours beyond daylight operations. The RESA is integral to this, as are our plans to install runway lights, which will increase our operational capability during low cloud or fog and evening landings. Extending our operational hours is a complex initiative. It necessitates engagement with multiple stakeholders on safety and operational matters and ultimately satisfying their various requirements. We anticipate this will conclude in 2011. Longer operating hours will also benefit the many downstream businesses within the Airport and the wider Queenstown region.

We achieved a satisfactory financial result despite an overall 2 percent reduction in passenger numbers, the first our Airport has seen since the 9/11 event in 2001. This decline was offset by a reduction in our interest costs, which allowed us to increase the bottom line. Notwithstanding the passenger reductions we held the decline in EBITDA (earnings before interest, tax, depreciation and amortisation) to 1 percent at \$7.079m. After depreciation and interest charges on investment, NPAT (net profit after tax) this financial year was up \$490k, to \$1.647m. Net cash flows from operating activities of \$4.973m increased by 20.4 percent. A detailed analysis of the financial result is included within this Annual Report.

As a result of forecast growth in trans-Tasman traffic together with new and recently signed tenancies, we are budgeting for a 6.8 percent increase in NPAT for the coming year. With the RESA and runway overlay, the stay in business capital expenditure will be in the order of \$15m over the next 18 months.

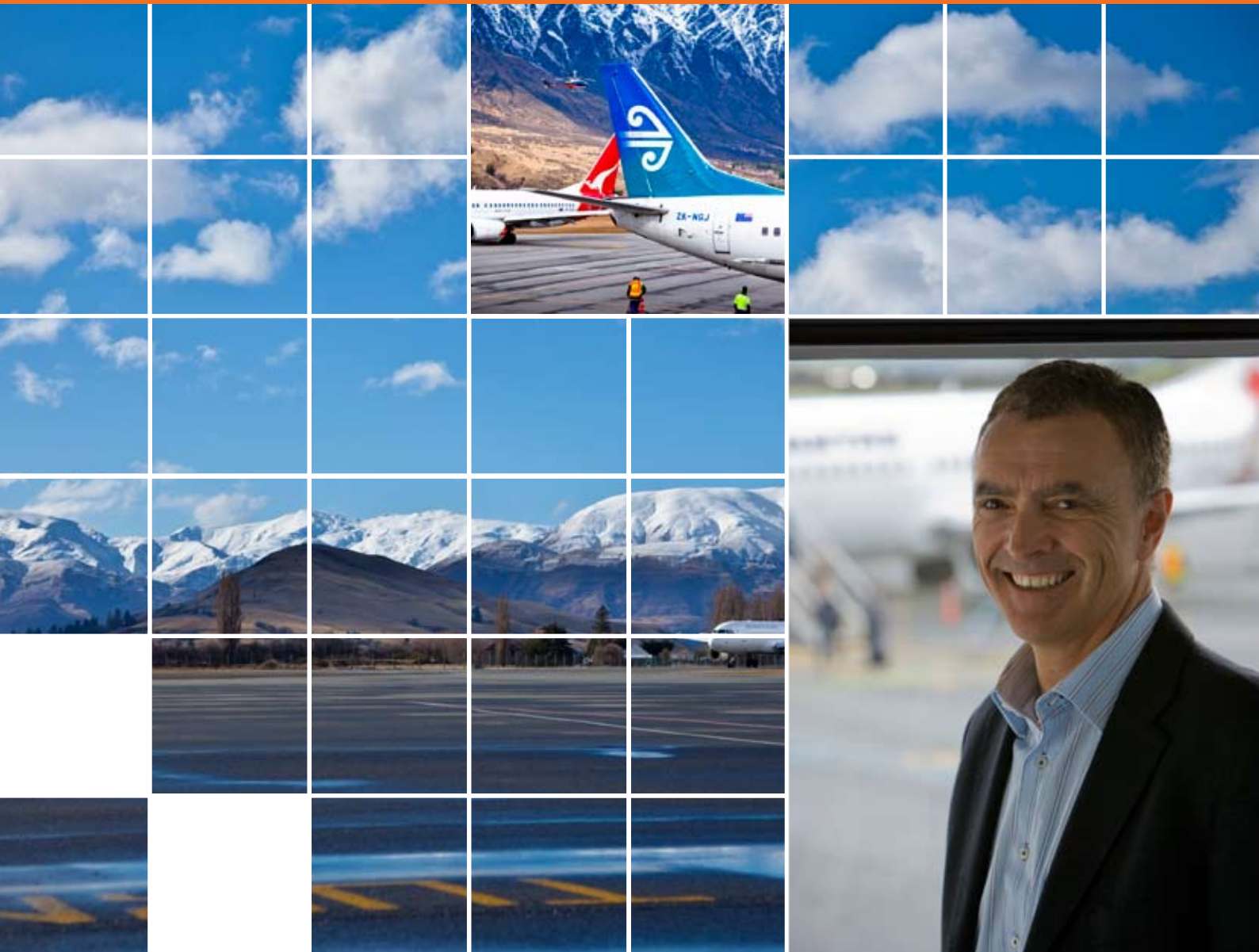
The Airport continues to enjoy stability in its staffing and in the last 12 months the cohesiveness of the team has become noticeable. I thank everyone for their continued effort. From 1 July 2009 we have secured the management contract for Wanaka Airport. The initiative will utilise our existing highly experienced staff and resources. The expected growth of Wanaka and its Airport will require us to further



develop and action the Airport's Master Plan as demand requires. We will also be looking at options to develop Wanaka as an alternative airport facility for non jet disrupted flights into Queenstown.

Finally I wish to note the retirement of Bill Walker who has been an invaluable member of the Board for eight years. Bill was instrumental in the development of the new terminal and much of the detail. The many awards and continued user praise are a fitting tribute to Bill's work on the terminal project. We welcome James Hadley as Bill's replacement; James is a Queenstown resident, a consulting civil engineer and is aptly qualified to contribute to the governance of the Airport and its various major works projects.

Mark A. Taylor
Chairman



CEO's Report

The year under review at Queenstown Airport has certainly been an eventful 12 months but despite a global economic downturn, I am pleased to report a positive result.

Following on from last year's reported activity we have been focused on protecting the Airport's boundaries and its future. To that end, we have incorporated our new flight fans into the District Plan; completed our consultation with regard to our noise boundaries and filed the plan change with Council; and secured a designation for the proposed Runway End Safety Area (RESA).

The Airport is aware of its strategic place in the community and that communication and planning is key to our success. This year we also released our Master Plan updated to 2037, which is designed to accommodate forecast growth in passengers, scheduled flights, general aviation, helicopters and corporate jets. It is a blueprint for carefully staged development of our terminal (expansion airside and landside, retail and commercial) and the formation of a new Aviation Park for general aviation (sightseeing aircraft, corporate jets, helicopters, private aircraft) on the south-eastern side of the Airport.

POSITIVE FINANCIAL RESULT

Despite the global economic downturn within the financial year under review, revenues rose by 5.2 percent to \$11.31m. This was driven by an increase in international passenger numbers and commercial operations.

Our investment in planning and protecting the Airport for the future saw an increase in expenses but this was offset by favourable interest rates and is reflected in a \$490k lift in NPAT to \$1.647m.

PASSENGER STATISTICS

The uncharted waters of the global recession presented tough conditions for the aviation and travel industry. The situation is expected to continue next year.

Queenstown Airport however remained relatively unscathed and protected by the Queenstown region's offering as a quality 'close to home' holiday destination for New Zealanders and an increasing number of Australian visitors. We are confident of retaining this favourable relative positioning in the coming year.

International passengers grew by 19 percent during the year in review to 74,585, supported by a high average load factor of 75.1 percent per flight. Direct flights continued from Sydney, Brisbane and Melbourne and it is pleasing to see consistently strong demand for peak period flights during winter and summer, with additional flights out of Sydney on both Qantas and Air New Zealand.

Domestic passengers fell by 4 percent to 609,894, which was slightly ahead of 2007 levels. Considering the economic downturn and the previous five years of strong growth, the overall result is a good outcome. The aircraft fleet mix changed during the year with increased use of the turbo prop ATRs over B737s jets, which helped maintain load factors for the domestic fleet at 75 percent.

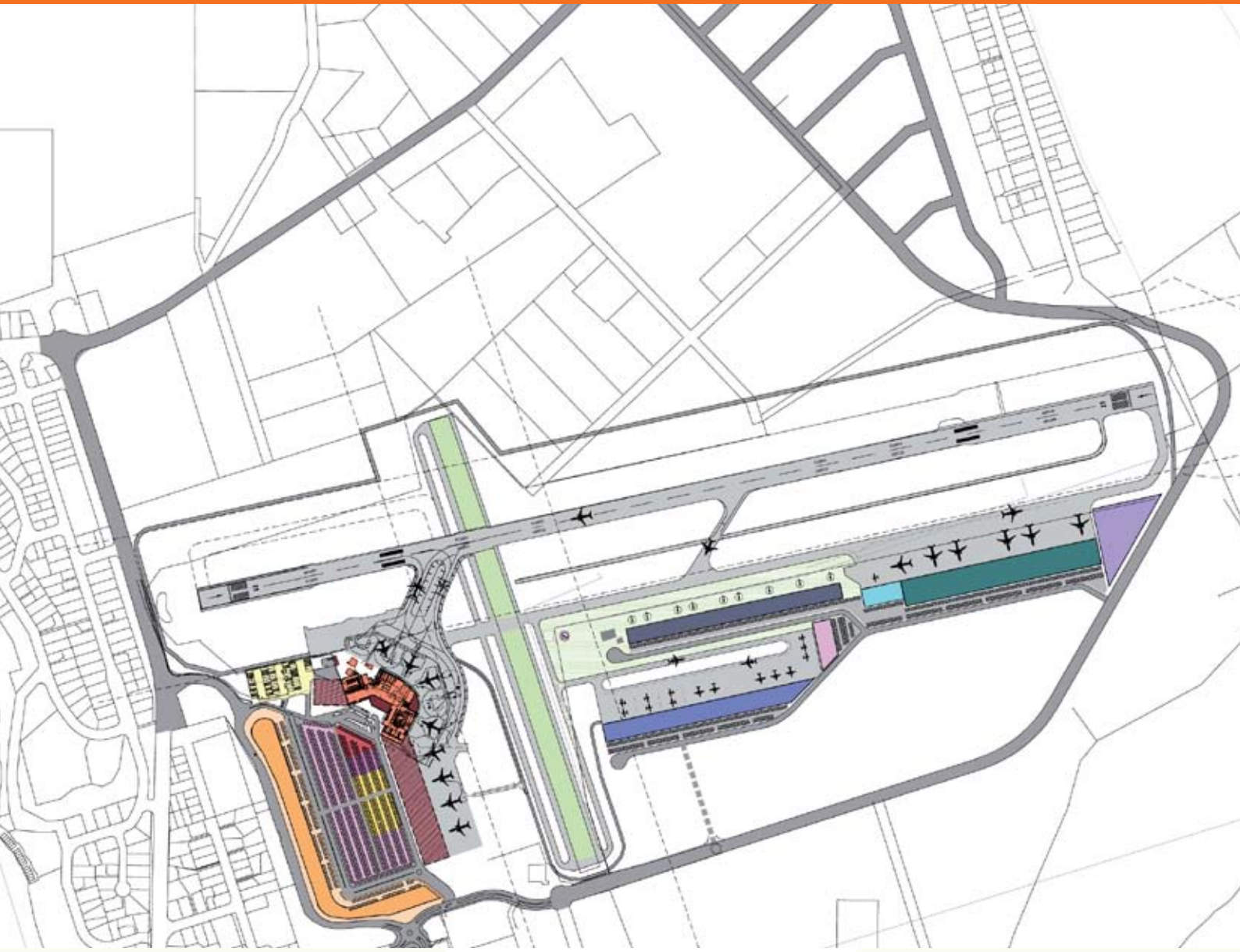
Total passenger movements through our terminal dropped just 2 percent to 684,479.

RESA

The Runway End Safety Area (RESA) continues to be our key strategic project for both the Airport and the Queenstown region. A RESA needs to be in place at our Airport by October 2011 to allow continued operation of international flights.

During the year under review we obtained the necessary consents to allow us to construct a 45 metre high earthworks fill from the Shotover Delta. This will extend our eastern end of the runway by 90 metres for use as a RESA.

At the time of writing we have called for construction tenders with work planned to commence towards

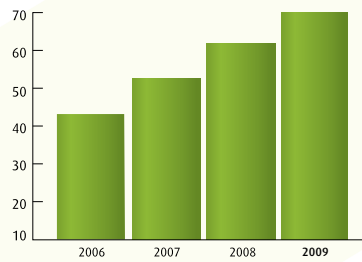


MASTER PLAN

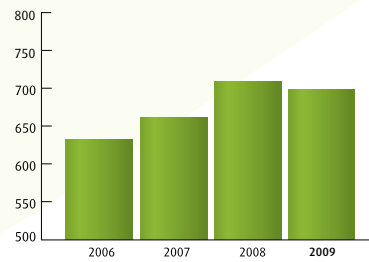
Domestic Passengers
All numbers in thousands.



Direct International Passengers
All numbers in thousands.



All Passengers
All numbers in thousands.



the end of 2009. We anticipate construction will take 18 months and be completed well before the CAA's October 2011 deadline.

RESA requirements at the western end of our runway are somewhat easier to achieve as we have sufficient land to designate as a RESA. A jet blast fence will be installed to deflect the jet blast away from the highway and walkway.

NOISE BOUNDARIES & OPERATIONAL HOURS

Over the last 12 months we've undertaken extensive consultation with our neighbours, residential associations and various other stakeholders. We appreciate the feedback and have taken it into account in our proposed noise boundary plan change. The plan change includes our proposed noise insulation for affected houses. Many residents were relieved to learn that their existing property zoned rights wouldn't change.

The plan change also extends our operational hours for arrivals from 10pm to midnight and has been lodged with Council. The Resource Management Act process will now take its course over the coming year(s).

MASTER PLAN 2037

In July last year we updated our existing Master Plan from 2015 out to 2037. This required us to forecast volumes for all aircraft types, and evaluate downstream effects of growth on our terminal, surrounding land and downstream businesses.

Scheduled aircraft movements are expected to grow from 8,264 this year to over 21,000 in 2037, while passenger numbers currently at 684,331 are expected to top 2,348,139 in the same period. Increased non-scheduled passenger numbers will quadruple from 142,418 to 560,650, with growth in aircraft movements involving helicopter, flight seeing and general aviation forecast to rise from 19,095 to 35,400.

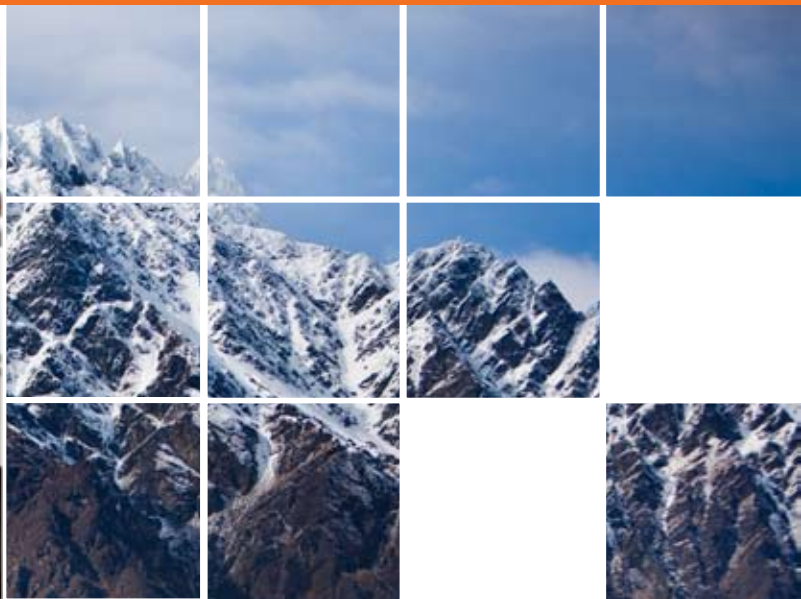
As a result of the review, we decided to move general aviation into a new Aviation Park which will be established to the south-east of the terminal. The Park will incorporate general aviation and helicopter hangars, a common terminal, fixed base operations for corporate and private jets, fuel and service facilities. The proposed site is owned by our neighbour Remarkables Park Limited and we are currently in commercial discussions with them to purchase the land required for the Aviation Park.

The other main aspect of our revised Master Plan involves taking advantage of the capacity for our main terminal building to expand at both ends. In the coming years, as demand requires, the building will extend out to the south where several more aircraft stands will be constructed. With the recent announcement of Jet Star and Pacific Blue flying to Queenstown the Master Plan is already being used to extend our check-in area and baggage handling facilities. The Master Plan also accommodates the potential for additional retail areas, car parking and associated services such as rental cars, valet and other forms of transport.

The overall design focus of the expanded terminal is to ensure smoother flows for passengers, from kerb to boarding their aircraft. As stated in last year's Annual Report we will continue to move security closer to the front door of the terminal and work towards creating a terminal with a common departure lounge. Some of this work will begin in 2010 in order to meet recently announced Government initiatives to streamline processing via an open NZ / Australian border.

SAFETY

In line with our growth in passenger jet movements, we commissioned a new \$900,000 Rosenbauer Buffalo fire fighting appliance in December. The new appliance maintains the Airport's Rescue Fire Category 7 for international jet service.



THE QUEENSTOWN MANAGEMENT TEAM, LEFT TO RIGHT:

CHRIS READ - General Manager Aeronautical

SIMON BARR - General Manager Commercial

STEVE SANDERSON - Chief Executive Officer

KAREN CASTIGLIONE - Finance and Property Manager

DANIEL DEBONO - Operations Manager

COMMERCIAL

In line with most airports world-wide, 43 percent of our revenue is derived from the commercial and property side of our operations. During the year, these areas were a key focus to diversify revenues and add to the total experience of our Airport for passengers.

There is strong demand for expanding our car rental areas and Queenstown Airport remains one of the country's leading rental outlets. In line with our recently developed Master Plan we will be working to accommodate this demand in the coming year.

Likewise, demand for retail space in our terminal saw us welcome a new tenant, Patagonia, which specialises in beautiful locally made chocolates, ice cream and coffee.

OUR CUSTOMERS

I would like to thank Air New Zealand for its ongoing support of Queenstown, particularly in these tough economic times. Likewise, while Qantas recently handed over its domestic service to Jetstar, they continue to be strong on our international legs. Thanks also to all our other customers, from general aviation through to retail.

LOOKING AHEAD

It's pleasing to see continued strong demand for travellers to come to Queenstown backed up by support from Air New Zealand and Qantas as well as new entrants Jetstar (which commenced domestic flights in June) and Pacific Blue (introducing its Sydney services from September, complemented by direct domestic service from Auckland).

We also recently signed a lease for a new bar, which will be operated by a local Queenstown business Good Group Limited. Their food and beverage operation will incorporate stunning views of the Remarkables and provide our customers a wonderful environment to reflect on their visit.

Commencing the RESA construction will be a major operational project as will the planning for a \$7m runway overlay which has to be completed at night time.

We continue to be optimistic about the future of Queenstown and passenger flows through the Airport. With our RESA on schedule, our focus on securing the Airport's boundaries with new flight fans, proposed noise boundaries and planning rules, and our Master Plan updated out to 2037, we are well placed to manage forecast growth.

People are still looking to holiday and, out of all New Zealand airports, Queenstown enjoys the strongest growth in international passenger numbers. I wish to acknowledge the hard work done by the New Zealand Government (via their support of NZT&E and the Tourism Board, and Prime Minister John Key's assumption of the tourism portfolio), Destination Queenstown and local tourist operators.

STAFF

During the year we welcomed a new person to our management team – Karen Castiglione, who has assumed the role of Finance and Property Manager. We also welcomed two new firemen – Roydon Cullimore and Andrew Doole.

I would like to thank all staff for their work in a tough economic year and the effort they have put in to help achieve our plans.



Steve Sanderson
Chief Executive Officer



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 2009.

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 2009 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 which 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.

Mark A Taylor
Chairman
4 September 2009

Duncan V Fea
Director
4 September 2009

Statement of Financial Performance

For the Financial Year Ended 30 June, 2009

	Notes	2009 \$	2008 \$
Income			
Revenue	2 (a)	11,257,602	10,636,177
Other gains/(losses)	2 (a)	50,570	112,874
	
Total income		11,308,172	10,749,051
Expenditure			
Operating expenses		2,672,282	2,412,865
Employee benefits expense	2 (b)	1,166,920	1,013,234
Depreciation expense	2 (c)	2,398,174	2,870,707
Amortisation			
		6,677	-
Finance costs	2 (d)	2,321,577	2,577,705
Runway maintenance		242,515	31,371
Directors fees		120,125	80,000
Audit fees	4	27,569	27,150
	
Total operating expenditure		8,955,839	9,013,032
Surplus before income tax		2,352,333	1,736,019
Less:			
Income tax expense	3	705,700	579,178
	
Surplus for the period		\$1,646,633	\$1,156,841
	

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June, 2009

	Notes	2009 \$	2008 \$
Current assets			
Cash and cash equivalents	17 (a)	6,473	6,986
Trade and other receivables	5	661,238	824,457
Prepayments		39,942	21,402
Current tax refundable	3	-	33,149
Other financial assets	6	-	75,835
	
Total current assets		707,653	961,829
Non-current assets			
Property, plant and equipment	7	47,532,366	46,440,521
Deferred tax assets	3	680,857	728,949
Intangible assets	19	556,118	270,301
	
Total non-current assets		48,769,341	47,439,771
	
Total assets		49,476,994	48,401,600
Current liabilities			
Bank overdraft (secured)	10, 17 (a)	163,922	209,461
Trade and other payables	8	920,924	1,207,077
Income in advance		90,720	64,756
Employee entitlements	9	171,642	138,256
Current tax payable	3	251,103	-
	
Total current liabilities		1,598,311	1,619,550
Non-current liabilities			
Borrowings (secured)	10	30,500,000	31,050,000
	
Total non-current liabilities		30,500,000	31,050,000
	
Total liabilities		32,098,311	32,669,550
	
Net assets		\$17,378,683	\$15,732,050
Equity			
Share capital	11	10,330,938	10,330,938
Retained earnings	12	7,047,745	5,401,112
	
Total equity		\$17,378,683	\$15,732,050
	

The accompanying notes form part of these financial statements.

Statement of Recognised Income & Expense

For the Financial Year ended 30 June, 2009

	2009	2008
	\$	\$
Net income recognised directly in equity	-	-
Surplus for the period	1,646,633	1,156,841

Total recognised income and expense for the year	\$1,646,633	\$1,156,841

STATEMENT OF MOVEMENTS IN EQUITY

For the Financial Year ended 30 June, 2009

Equity at beginning of year	15,732,050	14,575,209
Total recognised income and expenses	1,646,633	1,156,841

Equity at end of year	\$17,378,683	\$15,732,050

The accompanying notes form part of these financial statements.

Cash Flow Statement

For the Financial Year ended 30 June, 2009

	Notes	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		11,400,798	10,652,532
Interest received		5,321	15,915
Payments to suppliers and employees		(3,787,098)	(3,726,650)
Interest paid		(2,321,577)	(2,532,896)
Income tax paid (net)		(373,357)	(352,420)
Net GST (payment)/receipt		49,270	72,043
	
Net cash inflow/(outflow) from operating activities	17 (b)	4,973,357	4,128,524
	
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,085,837)	(4,052,598)
Purchase of intangible assets		(292,494)	(270,301)
	
Net cash inflow/(outflow) from investing activities		(4,378,331)	(4,322,899)
	
Cash flows from financing activities			
Proceeds from borrowings/(repayments)		(550,000)	(50,000)
	
Net cash inflow/(outflow) from financing activities		(550,000)	(50,000)
	
Net increase/(decrease) in cash and cash equivalents		45,026	(244,375)
Cash and cash equivalents at the beginning of the financial year		(202,475)	41,900
	
Cash and cash equivalents at the end of the financial year	17(a)	(157,449)	(202,475)
	

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Financial Year ended 30 June, 2009

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 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. 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.

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.

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.

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

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.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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.

Current and deferred tax is recognised as an expense or income in the Statement of Financial Performance, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

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 Statement of Financial Performance. The net gain or loss is recognised in the Statement of Financial Performance 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 forward exchange contracts that do not qualify for hedge accounting.

Loans and Receivables

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

Impairment of Financial Assets

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

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

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 Statement of Financial Performance 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 and 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 uses derivative financial instruments to hedge its exposure to foreign exchange risk arising from investing activities.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments.

Derivatives are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are stated at fair value. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

Fair Value Estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

Property, Plant and Equipment

The Company has the following classes of property, plant and equipment:

Land, buildings, runway, plant and equipment, motor vehicles, furniture and rescue fire equipment.

Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where an asset is acquired for no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Depreciation

Depreciation is provided on a diminishing value (DV) basis for all assets so as to write-off the cost of each asset to its estimated residual value over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the Statement of Financial Performance in the year incurred.

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

Operational Assets	Rate (%)	Method
Buildings	2.5 - 26.4%	DV
Runway	1.67 - 50%	SL
Plant and equipment	25%	DV
Motor vehicles	26%	DV
Furniture	33%	DV
Rescue fire	10 - 20%	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 Statement of Financial Performance 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.

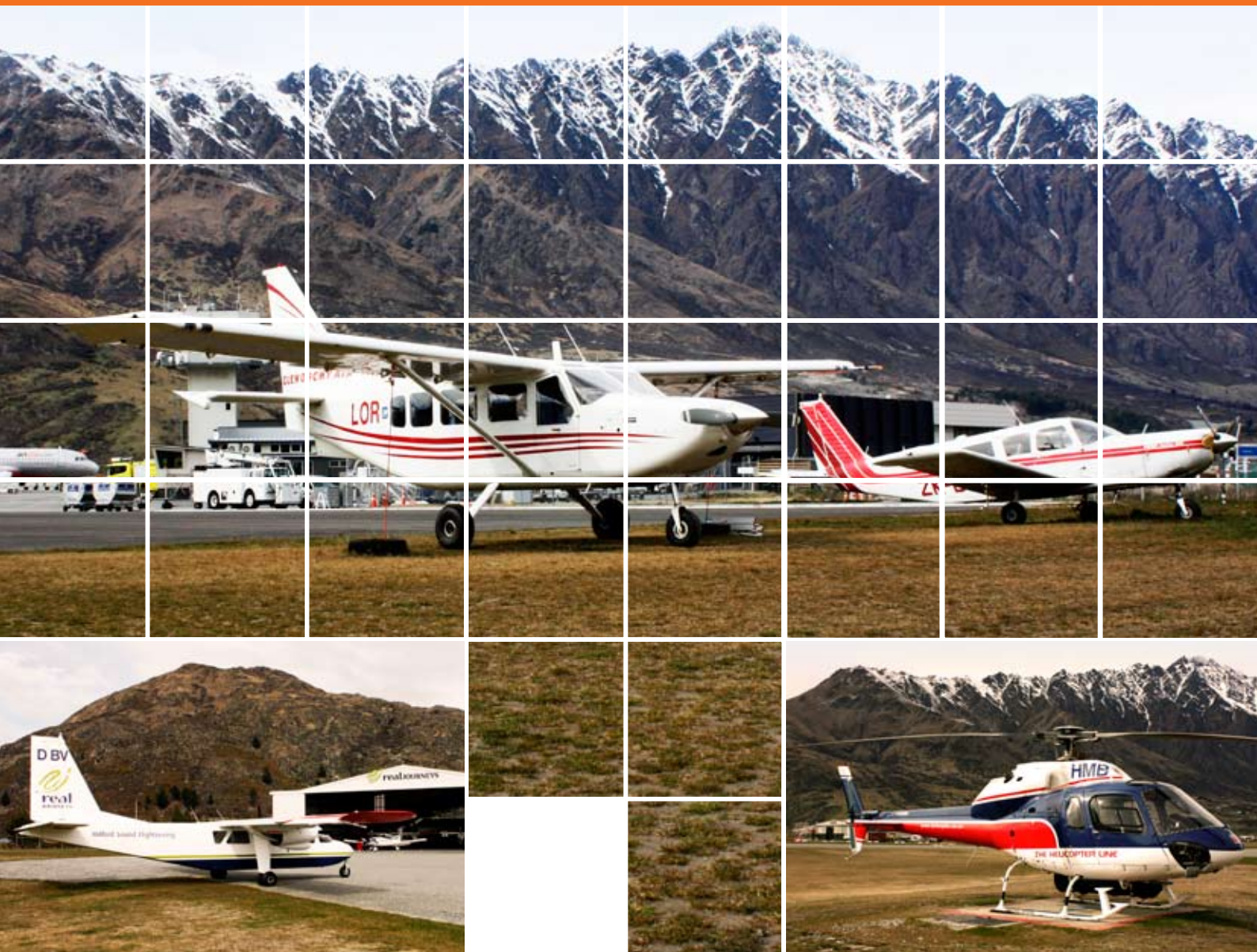
Impairment of Non-Financial Assets

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 Statement of Financial Performance 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 Statement of Financial Performance 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.

Changes in Accounting Policy

There has been no change in accounting policy.

	2009	2008
	\$	\$
2. SURPLUS FROM OPERATIONS		
(a) Revenue		
Revenue consisted of the following items:		
Revenue:		
Revenue from rendering of services:		
Landing dues	5,088,202	5,257,557
Car park revenue	1,211,430	1,011,818
Departure tax	766,169	619,656
	<u>7,065,801</u>	<u>6,889,031</u>
Operating lease rental revenue	<u>3,371,133</u>	<u>3,079,033</u>
	<u>3,371,133</u>	<u>3,079,033</u>
Interest Revenue:		
Bank deposits	-	15,915
Inland Revenue Department	<u>5,321</u>	<u>-</u>
	<u>5,321</u>	<u>15,915</u>
Other revenue	<u>815,347</u>	<u>652,198</u>
	<u>\$11,257,602</u>	<u>\$10,636,177</u>
Other Gains/(Losses):		
Net change in fair value of derivative financial instruments classified at fair value through profit or loss (forward exchange contracts)	<u>50,570</u>	<u>112,874</u>
	<u>\$50,570</u>	<u>\$112,874</u>
(b) Employee Benefits Expense		
Salaries and wages	<u>1,166,920</u>	<u>1,013,234</u>
	<u>\$1,166,920</u>	<u>\$ 1,013,234</u>

	2009	2008
	\$	\$
2. SURPLUS FROM OPERATIONS CONT.		
(c) Depreciation Expense		
Buildings	1,274,214	1,174,230
Roading and car parking	59,502	197,315
Plant and equipment	323,603	363,470
Runway	455,199	858,160
Motor vehicles	5,517	7,456
Furniture	137,214	191,012
Rescue fire	142,925	79,064
	<u>\$2,398,174</u>	<u>\$2,870,707</u>
(d) Finance Costs		
Interest on loans	2,319,343	2,576,496
Other interest expense	2,234	1,209
	<u>\$2,321,577</u>	<u>\$2,577,705</u>
3. INCOME TAXES		
(a) Income Tax Recognised in Profit or Loss		
Tax expense/(income) comprises:		
Current tax expense/(credit):		
Current year	657,608	642,107
Adjustments for prior years	-	-
	<u>657,608</u>	<u>642,107</u>
Deferred tax expense/(credit):		
Origination and reversal of temporary differences	48,092	(69,221)
Adjustments relating to changes in tax rates or imposition of new taxes	-	6,292
	<u>48,092</u>	<u>(62,929)</u>
Total tax expense	<u>\$705,700</u>	<u>\$579,178</u>

	2009	2008
	\$	\$

3. INCOME TAXES CONT.

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	2,352,333	1,736,019

Income tax expense calculated at 30 percent	705,700	572,886
Adjustments relating to change in tax rates	-	6,292

Income tax expense	\$705,700	\$579,178

The tax rate used in the above reconciliation is the corporate tax rate of 30 percent payable by New Zealand corporate entities on taxable profits under New Zealand tax law. The corporate tax rate in the previous reporting period was 33 percent.

(b) Income Tax Recognised Directly In Equity

There was no current or deferred tax charged/(credited) directly to equity during the period (2008: \$Nil).

(c) Current Tax Assets and Liabilities

Current Tax Refundable:

Current tax refundable	\$Nil	\$33,149

Current Tax Payable:

Current tax payable	\$251,103	\$Nil

2009 2008
\$ \$

3. INCOME TAXES CONT.

(d) Deferred Tax Balances Comprise:

Taxable and deductible temporary differences arising from the following:

2009	Opening balance	Charged to income	Charged to equity	Closing balance
Gross deferred tax assets:				
Temporary differences	728,949	(48,092)	-	680,857

	728,949	(48,092)	-	680,857

2008	Opening balance	Charged to income	Charged to equity	Closing balance
Gross deferred tax assets:				
Temporary differences	666,021	62,929	-	728,949

	666,021	62,929	-	728,949

(e) Imputation Credit Account Balances

Balance at beginning of year	1,493,428	1,141,008
Income tax paid	406,505	352,165
Resident withholding tax paid	-	255

Balance at end of year	1,899,933	1,493,428

4. REMUNERATION OF AUDITORS

Audit fees for financial statement audit	23,840	23,450
Audit fees for assurance and related services	3,729	3,700

	\$27,569	\$27,150

Audit fees for assurance and related services include:

Audit of NZ IFRS related matters

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

	2009	2008
	\$	\$
5. TRADE & OTHER RECEIVABLES		
Trade receivables	676,030	783,791
Allowance for doubtful debts	(14,792)	-
	<u>661,238</u>	<u>783,791</u>
Goods and services tax (GST) receivable	-	40,666
	<u>\$661,238</u>	<u>\$824,457</u>

6. OTHER FINANCIAL ASSETS & LIABILITIES

Financial Assets carried at fair value through profit or loss:

Current

Forward exchange contracts	-	75,835
	<u>\$-</u>	<u>\$75,835</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	2009 Accumulated Depreciation	Net Book Value
	\$	\$	\$
Land	5,801,769	-	5,801,769
Building	29,198,179	(6,351,363)	22,846,816
Roading and car parking	4,421,752	(546,293)	3,875,459
Plant and equipment	2,348,127	(1,283,992)	1,064,135
Runway	14,032,818	(2,071,985)	11,960,833
Motor vehicles	44,355	(28,652)	15,703
Furniture	1,111,711	(821,915)	289,796
Rescue fire	2,097,356	(419,501)	1,677,855
	<u>59,056,067</u>	<u>(11,523,701)</u>	<u>47,532,366</u>

7. PROPERTY, PLANT AND EQUIPMENT CONT.

	Cost	2008 Accumulated Depreciation	Net Book Value
	\$	\$	\$
Land	5,501,356	-	5,501,356
Buildings	28,872,755	(5,037,671)	23,835,084
Roading and car parking	4,319,096	(526,269)	3,792,827
Plant and equipment	2,173,893	(963,677)	1,210,216
Runway	12,514,512	(1,616,786)	10,897,726
Motor vehicles	44,355	(23,135)	21,220
Furniture	1,085,432	(684,702)	400,730
Rescue fire	1,057,938	(276,576)	781,362
	<u>55,569,337</u>	<u>(9,128,816)</u>	<u>46,440,521</u>

Impairment losses are included in the line item 'impairment of non-current assets' in the Statement of Financial Performance. Impairment losses recognised during the period were \$Nil (2007: \$Nil).

8. TRADE & OTHER PAYABLES

	2009	2008
	\$	\$
Trade payables*	782,485	541,906
Other creditors and accruals	129,834	665,171
GST Payable	8,605	-
	<u>\$920,924</u>	<u>\$1,207,077</u>

9. EMPLOYEE ENTITLEMENTS

Accrued salary and wages	60,613	41,478
Annual leave	111,029	96,778
	<u>\$171,642</u>	<u>\$138,256</u>

*The average credit period on purchases is 30 days.

	2009	2008
	\$	\$
10. BORROWINGS		
At amortised cost		
Bank borrowings (secured)*	30,500,000	31,050,000
	<u>30,500,000</u>	<u>31,050,000</u>
	<u>\$30,500,000</u>	<u>\$31,050,000</u>
Disclosed in the financial statements as:		
Current	-	-
Non-current	30,500,000	31,050,000
	<u>30,500,000</u>	<u>31,050,000</u>
	<u>\$30,500,000</u>	<u>\$31,050,000</u>
<p>The Company has a secured facility with the Bank of New Zealand of \$36.1 million (which includes the \$250,000 bank overdraft facility). The Company may draw funding for terms ranging from call to three years. The facility is available on an interest only basis for a further two years.</p>		
Amount used		
Overdraft	163,922	209,461
Borrowings	30,500,000	31,050,000
Amount unused		
	5,436,078	4,840,539
	<u>5,436,078</u>	<u>4,840,539</u>
	<u>\$36,100,000</u>	<u>\$36,100,000</u>

* The loan is secured by a general security agreement over the Company's assets and undertakings. The weighted average interest rate on the term loan at balance date was 6.35 percent (2008: 8.23 percent).

	2009	2008
	\$	\$
11. SHARE CAPITAL		
Fully paid ordinary shares	10,330,938	10,330,938
	<u>\$10,330,938</u>	<u>\$10,330,938</u>

(a) Fully Paid Ordinary Shares

	2009	Number 2008	2009	Value 2008
Balance at beginning of year	11,998,690	11,998,690	10,330,938	10,330,938
Balance at end of year	<u>11,998,690</u>	<u>11,998,690</u>	<u>\$10,330,938</u>	<u>\$10,330,938</u>

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

12. RETAINED EARNINGS

Balance at beginning of year	5,401,112	4,244,271
Net surplus/(deficit)	1,646,633	1,156,841
Balance at end of year	<u>\$7,047,745</u>	<u>\$5,401,112</u>

13. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

Property, plant and equipment	-	857,182
	<u>\$Nil</u>	<u>\$857,182</u>

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 ("Queenstown Airport") is 100 percent owned by the ultimate parent entity, Queenstown Lakes District Council.

(b) Transactions with Related Parties

Related parties of the Company are:

Queenstown Lakes District Council – Shareholder

MG Valentine – Director, Trojan Holdings Ltd and NZ Ski Ltd

DV Fea – Director, Wilson Bros Engineering Ltd

MW Walker – Director, Wilson Bros Engineering Ltd

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

	2009	2008
	\$	\$
Queenstown Lakes District Council		
Rates	(153,600)	(179,724)
Resource consent costs	(36,443)	-
Trojan Holdings Limited		
Rubbish removal services	(53,503)	(35,959)
Rent received	33,624	31,523
NZ Ski Ltd		
Marketing and advertising	(10,000)	-
Wilson Bros Engineering Ltd		
Engineering services	-	(25,748)
The following amounts were receivable from related parties at balance date:		
Trojan Holdings Ltd	-	3,542
The following amounts were payable to related parties at balance date:		
Queenstown Lakes District Council	656	-
Trojan Holdings Ltd	3,134	3,019
Wilson Bros Engineering Ltd	-	3,765

(c) Other Transactions Involving Related Parties

There were no other transactions with related parties.

16. SUBSEQUENT EVENTS

There were no significant events after balance date (2008:Nil).

17. NOTES TO THE CASH FLOW STATEMENT

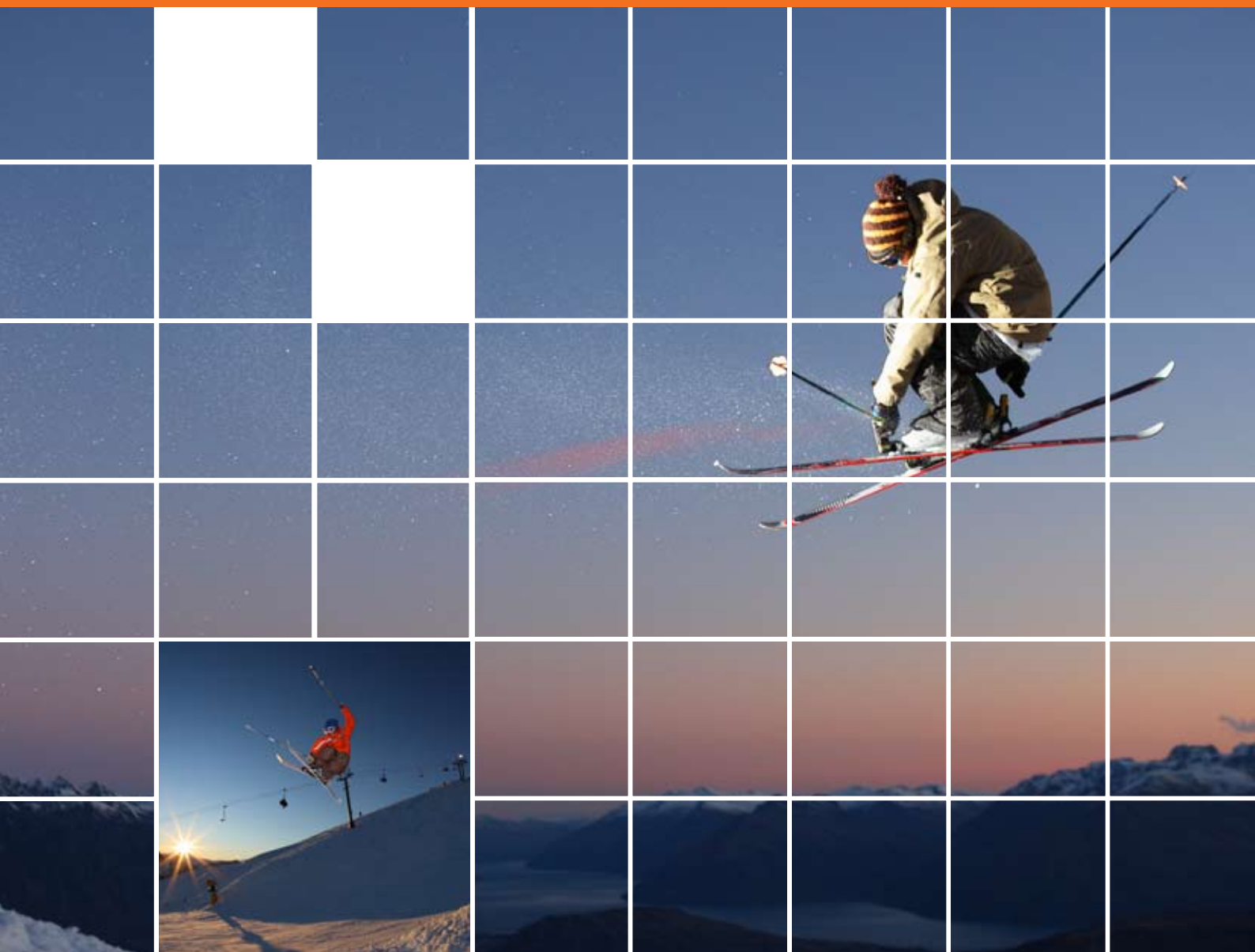
(a) Reconciliation of Cash and Cash Equivalents

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

	2009	2008
	\$	\$
Cash and cash equivalents	6,473	6,986
Bank account /(overdraft)	(163,922)	(209,461)
	(157,449)	(202,475)

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

Surplus for the year	1,646,633	1,156,841
Add/(less) non-cash items:		
Amortisation	6,677	-
Depreciation	2,398,174	2,870,707
Net change in fair value of derivative financial instruments	75,835	(220,164)
	4,127,319	3,807,384
Changes in assets and liabilities:		
Decrease in Trade and other receivables	163,219	79,086
Increase in Prepayments	(18,450)	(21,402)
Increase in Current tax payable	284,252	289,685
Decrease in Trade and other payables	(286,153)	18,659
Increase in Income in advance	25,964	18,416
Increase in Employee entitlements	33,386	62,987
Increase in Deferred tax asset	48,092	(62,928)
Movement in items reclassified as investing activities	595,728	(63,363)
	846,038	321,140
Net cash inflow from operating activities	\$4,973,357	\$4,128,524



Photos: Miles Holden. Coronet Peak

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.

	2009	2008
	\$	\$
(c) Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	6,473	6,986
Trade and other receivables	661,238	824,457
Other financial assets	-	75,835
Financial Liabilities		
Bank overdraft	163,922	209,461
Trade and other payables	920,924	1,207,077
Income in advance	90,720	64,756
Employee entitlements	171,642	138,256
Borrowings	30,500,000	31,050,000

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

19. INTANGIBLE ASSETS

Intangible assets represent costs incurred in relation to district planning costs 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.

	2009	2008
	\$	\$
Cost		
Opening balance	270,301	-
Additions from internal developments	292,494	270,301
Closing balance	562,795	270,301
Accumulated amortisation		
Opening balance	-	-
Amortisation expense	6,677	-
Closing balance	6,677	-
Carrying value	556,118	270,301

20. AIRPORT AUTHORITIES (AIRPORT COMPANIES INFORMATION DISCLOSURES) REGULATIONS 1999

The Airport Authorities (Airport Companies Information Disclosures) Regulations 1999 (the Regulations) require specified airport companies to make particular disclosures pursuant to part 2 and part 4 of the Regulations. Queenstown Airport is seeking advice as to whether the Regulations are applicable to the Company, which will determine how Queenstown Airport proceeds to ensure the requirements of the legislation are met.

Statement of Service Performance

Over the last two years the Airport has set itself a task of working 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 blueprint 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 has completed its Master Plan out to 2037.
- Implemented first stages of the Master Plan including extending the check-in area, increasing retail space and commenced planning for the Aviation Park.
- Council is represented at regular meetings of the Board of Directors. Additionally the Airport provides six-monthly reports to Council.
- The Airport has attended local Residential Association meetings and run open days.

	2009 Actual \$	2009 Forecast \$
Income	11,308,172	11,384,499
Operating Expenses	8,955,839	9,154,698

Net Surplus/(Deficit) Before Tax	2,352,333	2,229,801
Taxation	705,700	668,940

Net Surplus/(Deficit) After Tax	1,646,633	1,560,861

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 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 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 Queenstown Lakes District community and the environment.
- To act as a 'good neighbour' to the adjacent residential areas.

OBJECTIVES

To ensure that the Company takes action towards achieving its goals, several objectives will be identified at the start of each financial year which can and should be achieved within the following year. These objectives will be measurable and achievable and the performance of the Company achieving its objectives will be reported annually.

- Provide suitable terminal facilities for satisfactory trans-Tasman and domestic operations.
- Promote planning measures designed to ensure the mission and goals of Queenstown Airport can be achieved.
- Ensure adequate communication exists between Queenstown Airport and the community and its elected representatives by way of an ongoing public information service and holding regular open meetings with a liaison group comprising community group representatives, interested individuals, airport users, etc, while continuing existing reporting systems.
- Manage the noise impact of the Airport in accordance with the district plan taking into account the surrounding residential and business areas.
- Develop an achievable plan to meet the revised Runway End Safety Area requirements within the prescribed transitional timeframes.
- Achieve the forecast profit result.

ACTUAL PERFORMANCE ACHIEVED

1. The completed terminal redevelopment will allow for satisfactory trans-Tasman operations for a number of years.
2. The Company continues to be involved in ensuring that surrounding land developments and planning are consistent with the Airport's operations.
3. The shareholder of the Company is represented at Board meetings as an observer and the Company provides quarterly reports to the shareholder. 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 is actively planning to develop a preferred option for the construction of Runway End Safety Areas (RESA) at the eastern and western ends of the runway.
6. The budgeted profit result was a surplus after tax of \$1,560,861. The actual result was a surplus of \$1,646,633.
7. The tax paid return on shareholders funds was 10.47 percent.
8. The actual shareholders funds to total assets is 35.1 percent, the target was 28.7 percent.
9. The Company operates within its approved banking facilities.

Audit Report

TO THE READERS OF QUEENSTOWN AIRPORT CORPORATION LIMITED'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2009

The Auditor-General is the auditor of Queenstown Airport 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 performance information of Queenstown Airport Limited, for the year ended 30 June 2009.

UNQUALIFIED OPINION

In our opinion:

The financial statements of the company on pages 14 to 39:

Comply with generally accepted accounting practice in New Zealand; and fairly reflect:

- The company's financial position as at 30 June 2009; and
- The results of its operations and cash flows for the year ended on that date.

The performance information of the company on page 37 to 39 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June, 2009.

The audit was completed on the 4th of September 2009, and is the date at which our opinion is expressed. The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

AUDIT PROCEDURES GENERALLY INCLUDE:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the Financial Statements. We evaluated the overall adequacy of the presentation of information in the Financial Statements and Statement of Service Performance. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE AUDITOR

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the company as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing the Statement of Service Performance that gives a true and fair view of the service performance achievements for the year ended 30 June, 2009. The Board of Directors responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 70 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 carried out assignments in the areas of financial reporting which are compatible with these independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the company.

A handwritten signature in black ink, reading "P. Gulliver DeLoitte", is positioned above a horizontal dotted line.**Peter Gulliver**

Partner
DELOITTE

On behalf of the Auditor-General
Dunedin, New Zealand

Statutory Disclosures

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 2009.

1. FINANCIAL STATEMENTS

The financial statements for the Company for the year ended 30 June 2009 are included with this report.

2. CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policies.

3. 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.

4. BOARD OF DIRECTORS

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

M A Taylor (Chairman)

M. Bill Walker (retired 30 June 2009)

Duncan V Fea

Murray G Valentine

James WP Hadley (appointed 1 October 2008)

5. RESULTS FOR THE YEAR ENDED 30 JUNE 2009

Net Tax Paid Profit for the year was \$1,646,633 compared to a Profit of \$1,156,841 in the previous year. The Directors recommend that no final dividend be paid.

Appropriation Account

Net Tax Paid Profit of	1,646,633
Plus Retained Earnings Brought Forward	5,401,112

Leaves Retained Earnings to be Carried Forward of	\$7,047,745

6. DIRECTORS' INTERESTS

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

During the year Trojan Holdings Ltd, was 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 and NZ Ski Ltd.

During the year Wilson Bros Engineering Ltd was contracted to provide engineering services at the airport - Mr MW Walker and Mr DV Fea, Directors during the year, are also directors of Wilson Bros Engineering Ltd.

All of the transactions were provided on normal commercial terms.

7. SHARE DEALINGS

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

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.

	2009	2008
MA Taylor	39,500	27,500
MW Walker	21,500	17,500
DV Fea	21,500	17,500
MG Valentine	21,500	17,500
JWP Hadley	16,125	-

	<u>\$120,125</u>	<u>\$80,000</u>

9. REMUNERATION OF EMPLOYEES

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

Number of Employees	Bracket
1	\$110,000 – 120,000
1	\$160,000 – 170,000
1	\$240,000 – 250,000

10. DONATIONS

The Company made no donations during the year.

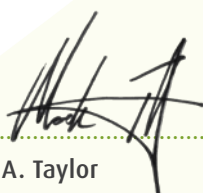
11. USE OF COMPANY INFORMATION

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 his behalf.

On Behalf of the Board



Mark A. Taylor
Chairman

DISCLOSURE OF INTERESTS BY DIRECTORS

Mark A Taylor (Chairman) BMS, CA, AMInstD
Ardmore Airport Ltd
Perry Group Ltd
Queenstown Resort College Ltd
Symansis Ltd
Westmed Development Capital Ltd and subsidiary
and associated companies
Taylor Partners Ltd and subsidiary and associated
companies

Duncan V Fea (Director) B.Com, CA, AMInstD
Cook Adam & Co Ltd
Walker Group Ltd and subsidiary companies
Plus a number of other private companies

M W (Bill) Walker (Director) ONZM
Walker Group Ltd and subsidiary companies
Skyline Enterprises Ltd and subsidiary companies
Plus a number of other private companies

Murray G Valentine (Director) B.Com, CA
Alpine Deer Group Ltd
Animation Research Ltd
Aoraki Mount Cook Alpine Village Ltd
Farra Engineering Ltd
Holcim (New Zealand) Ltd
Jackson Valentine Ltd
Mainland Poultry Ltd
Mackenzie Irrigation Ltd
NZ Ski Ltd
Simons Pass Station Ltd
Southern Lakes Laundries Ltd
Taylormade Media Ltd
Terralink International Ltd
Trojan Holdings Ltd
Whale Watch Kaikoura Ltd
Whitestone Pastures Ltd
Plus a number of other private companies

James W P Hadley (Director) BE (Hons), CPEng, IntPE
Lakes Engineering Ltd
Hadley Consultants Ltd
Plus a number of other private companies

DIRECTORY

Board of Directors

Mark A Taylor (Chairman)
M W (Bill) Walker (Retired 30 June 2009)
Duncan V Fea
Murray G Valentine
James W P Hadley (Commenced 1 October 2008)
Chief Executive Officer
Steven Sanderson GRAD DIP BA, MBA, MInstD

Accountants

McCulloch & Partners
Chartered Accountants
Lakeland House
34 Camp Street
Queenstown

Auditors

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

Bankers

The Bank of New Zealand
PO Box 70
Queenstown

Solicitors

Lane Neave
Barristers & Solicitors
PO Box 13149
Christchurch





Queenstown Airport Corporation Limited
Airport Administration, Queenstown Airport
PO Box 64, Queenstown 9348
New Zealand

queenstownairport.com

