

STATEMENT OF INTENT

2008/2009

PALMERSTON NORTH AIRPORT LIMITED

May 2008

1. PREAMBLE

- 1.1 As a consequence of the Palmerston North City Council's shareholding, Palmerston North Airport Limited falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to s.6 of the Local Government Act 2002. This Statement of Intent is prepared pursuant to s.64 of the Local Government Act 2002.
- 1.2 This Statement declares publicly the activities and intentions of the Company, and provides an opportunity for shareholders to influence the direction of the Company. It also provides a basis for accountability of directors to shareholders for the Company's performance. It is intended to comply with Schedule 8 of that Act, and be consistent with the Company's constitution.
- 1.3 Palmerston North Airport Limited ('The Company') purchased the airport business on 30 January 1990. This Statement of Intent is provided in respect of the 2008/2009 financial year ending 30 June 2009, and the following two financial years for 2009/2010 and 2010/2011.
- 1.4 The Company has an interest in FreightGate Ltd., a company that has been formed and may be used for the management of non-operational property. The Palmerston North City Council has exempted FreightGate Ltd. from the requirements of a Council Controlled Organisation while it is not trading. The Company may enter into arrangements for the management of non-operational property, which include a shareholding by others in the subsidiary company. The Company will not form any other subsidiary company nor purchase shares in any company without prior consultation with shareholders.
- 1.5 The Board's approach to governance of the group is to preserve and enhance shareholder value in the long term.
- 1.6 The ratio of consolidated shareholders' funds to total assets will be maintained at no less than 40%. For the purposes of this ratio

'consolidated shareholders funds' are total shareholder funds inclusive of retained earnings, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

- 1.7 The Shareholder's Funds of the Company are \$31.05m inclusive of an Asset Revaluation Reserve as detailed in the Interim Report to 31 December 2007.
- 1.8 The Board estimates the commercial value of the shareholders' investment in the group as being in the range \$13.4 million to \$20.0 million.

Shareholder investment is the total value of the business less the term debt of \$7.75 million. The total value of the business has been estimated by using a multiple of EBITDA (earnings before interest, tax, depreciation and amortization). EBITDA is based on the assumption of business continuing at present levels and an EBITDA multiple range of 6.5 to 8.5.

This estimate will be reviewed annually.

- 1.9 The Company has re-registered pursuant to the Companies Act 1993.
- 1.10 The Company is trading as Palmerston North International Airport and as FreightGate.
- 1.11 The Company acknowledges that the Palmerston North City Council holds shares in the Company for strategic reasons and that the Company needs to lead in the development and promotion of ancillary services and industry based on the aviation activity. As well as direct benefit to the Company this impacts through to the economic development of the city.
- 1.12 At the request of any of the shareholders, the Company may undertake activities that are not consistent with normal commercial objectives subject to the shareholder providing a specific subsidy to meet the full commercial cost for providing such activities. The Palmerston North City Council has made financial contributions to reconstruction of the first and part of the second stages of the main access roading to the airport consistent with assistance that has been made in the past to subdivisions and on the basis of the regional economic value of the route. The City Council has similarly agreed to contributions for further stages of the road that are planned to progress within the period of this Statement.

2. COMPANY OBJECTIVES

2.1 'Purpose':

The Company's Vision is for Palmerston North International Airport to be 'The Airport City for Central New Zealand'

The Mission is -

To be the principal central New Zealand passenger and freight hub; to service international flights with a focus on trans-Tasman and the Pacific; and to lead Manawatu regional economic development.

3. NATURE AND SCOPE OF ACTIVITIES

- 3.1 The primary nature and scope of activities for the Company is to operate an airport in Palmerston North for both commercial and non-commercial aviation users.
- 3.2 The Company intends to maintain certification pursuant to Civil Aviation Rule Part 139.
- 3.3 The Company is responsible for all operational and commercial aspects of the Palmerston North International Airport.
- 3.4 The Company maintains a detailed 'Exposition' setting out its responsibilities for the 'airside' of the airport operation and how they will be achieved.
- 3.5 On the 'landside' area of the airport operation the Company will provide a high level of service to users on a commercial basis, including efficient utilisation of all assets owned by the Company.
- 3.6 The Company is pursuing all opportunities for developing non-aeronautical revenues at the airport without prejudicing future aviation functions, and aims to further increase these over the next three years.
- 3.7 The Company provides international and domestic terminal facilities.
- 3.8 Consideration will be given to providing or promoting further user-orientated activities at the airport such as:
 - a) Upgrading services for the traveling public.

- b) Maximising the number of concessions to obtain an adequate financial return within the terminal.
- c) Encouraging the provision of aviation-related commercial facilities such as freight handling.
- d) Providing adequate cargo and other storage buildings at commercial rentals for end users.
- e) Encouraging airlines to provide new modern facilities at the airport.
- f) Providing covered light aircraft parking on a commercial basis.
- g) Promoting the establishment of an industrial park on the airport.
- h) Seeking entrepreneurial proposals from any person or organisation to establish increased services or business at Palmerston North International Airport that will benefit the airport users and return revenue to the airport's owners.

3.9 The Company will continue to meet its obligations under the Resource Management Act and the Palmerston North City District Plan

3.10 The Company may undertake such activities as are necessary to protect the long-term interests of the airport business.

4. FUTURE DEVELOPMENT

The intended capital requirements of the Company are based on a comprehensive study of options for the development of the Airport completed in 2003 by Airplan Limited, a consulting group specialising in the Aviation industry.

The timing of components of the capital programme has been reviewed as a consequence of loss of international services at 31 March 2008. Re-introduction of international services is being pursued. This Statement assumes that international services will be re-introduced during the year.

The company intends to meet new Runway End Safety Area requirements (RESA) by providing physical extensions that preserve or increase the current declared runway operating lengths.

RESA at the eastern end has been constructed.

RESA at the western end will be constructed as soon as Milson Line is closed. This work is incorporated in the first year of this Statement.

Although provided for as a budgeting provision in the second and subsequent years of this Statement, any further stages of that long-term development strategy are yet subject to separate decision by the Board. At that time the Board will take into account a number of factors including confidence that revenue projections and all of the commercial circumstances warrant the capital investment of the next stage.

Construction of Airport Drive will be completed to Railway Road as a pre-requisite mitigation of the effects of stopping Milson Line. Provision is made for extension of the international border processing areas in the second and third years.

5. PERFORMANCE TARGETS

The Company has the following performance targets:

- 5.1 a ratio of net surplus before interest/tax/revaluations to total assets inclusive of revaluations of 5% per annum.
- 5.2 a ratio of net surplus after interest/tax to consolidated shareholders' funds inclusive of revaluation reserve of 2%.
- 5.3 to maintain an interest coverage ratio of net surplus before interest and tax to interest at or above 2.0.
- 5.4 to maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$30 million dollars.
- 5.5 to maintain a level of customer satisfaction of 90% and will periodically measure this by customer survey.
- 5.6 total passenger throughput of 520,000 during the 2008/09 year.

6. POLICY STATEMENTS

6.1 Statement of Accounting Policies

6.1.1 REPORTING ENTITY

Palmerston North Airport Limited is a New Zealand company registered under the Companies Act 1993.

The Company, and its wholly owned subsidiary (FreightGate Limited) comprise the Palmerston North Airport Limited reporting entity.

The financial statements of Palmerston North Airport Limited are reported as parent and consolidated due to FreightGate Limited being a non-trading company during the year to 30 June 2007.

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, the Local Government Act 2002, the Companies Act 1993, and the Financial Reporting Act 1993.

The financial statements have been prepared in compliance with NZ equivalence to International Financial Reporting Standards (NZ IFRS) as applicable to Public Benefit Entities.

6.1.2 MEASUREMENT BASE

The Company follows the general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis modified by the revaluation of certain assets, the revaluation having been incorporated in the financial statements and with the exception of the cash holdings of foreign exchange which is modified by any movement in exchange rates as at balance sheet date.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand Dollars.

6.1.3 SPECIFIC ACCOUNTING POLICIES

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZIFRS balance sheet as at 1 July 2005 for the purpose of the transition to NZ IFRS.

(a) Basis of consolidation

The consolidated financial statements include the parent company and its Subsidiary accounted for using uniform accounting policies prepared as of the same date. All inter-company transactions are eliminated in full on consolidation. In the Company's financial statements, investments in subsidiaries are recognised at their cost.

(b) Property Plant and Equipment

Property Plant and Equipment consists of :

Operational Assets

These include land, buildings, furniture and fittings, motor vehicles and various plant and equipment.

Infrastructure Assets

Infrastructure assets are the fixed utility systems owned by the Company.

Measurement

All items of property, plant and equipment that qualifies for recognition as an asset shall be measured at cost less accumulated depreciation with the following exceptions:

Land

Land is valued at fair value, being the amount for which the land could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Buildings

Buildings are valued at the lower of their Fair Value or Entity Specific value. Fair value is the amount that an asset could be exchanged between knowledgeable and willing parties in an arms length transaction. Entity Specific value is the present value of cash flows from the continued use and disposal of the asset.

An independent registered valuer conducts the valuations on a systematic basis with sufficient regularity to ensure that the carrying value does not differ materially from fair values.

The last valuation was done on 30 June 2007

(c) Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant & equipment other than land at rates calculated to allocate the cost of the assets over their estimated useful lives.

The depreciation charge for all items of property, plant and equipment were assessed on 30 June 2005 to better recognise the remaining economic benefits of each asset.

The useful lives and associated depreciation rates of the major categories have been estimated as follows:

Land and Land Improvements	99 years
Roading & Carparks	2 - 99 years
Buildings & Building services	8 - 99 years
Runway, Taxiways, Aprons	2 - 99 years
Plant and Equipment	1 - 50 years
Furniture & Fittings	3 - 99 years
Computer Equipment	4-5 years
Motor Vehicles	5 years

Capital work in progress is not depreciated. The total cost of capital work is transferred to the fixed assets system on its completion or available for use and then depreciated.

Where an asset is sold or disposed of, the gain or loss recognised in the Profit and Loss Account is calculated as the difference between the net sale price and the carrying amount of the fixed asset as at the date of transaction.

(d) Intangible assets

Internally generated intangible assets

Internally generated intangible assets are written off in the Profit and Loss Account in the year they arise. Goodwill on business combination is subjected to impairment test annually with the impairment written off in the Profit and Loss Account.

Software acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as and when incurred. Cost associated with the development and maintenance of the company's web-site are recognised as an expense when incurred.

Software amortisation

Computer software licenses are amortised on a straight line over their useful life.

(e) Trade and other Receivables

Accounts receivable are stated at their expected realisable value after writing off any known bad debts and providing for any doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition. Collectibility of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(f) Impairment of Nonfinancial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the Company would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Inventories

Inventories are stated at the lower of cost (determined on a first in, first out basis) or net realisable value. The value of inventories has been stated at cost and includes any costs associated in bringing the inventories to their current location and condition.

(h) Cash and Cash Equivalent

Cash and Cash Equivalence includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Transactions in foreign currencies are converted at the New Zealand rate of exchange applicable at the date of transaction.

At balance date foreign monetary assets and liabilities are translated at the closing rate based on the Bank of New Zealand's reported closing rate. Any net exchange differences of foreign currency are recognised in Profit and Loss account.

(i) Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(j) Goods and Services Tax

All items in the financial statements are stated exclusive of Goods and Services Tax (GST) with the exception of receivables and payables, which are stated, with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are stated exclusive of GST

(k) Employee Entitlements

Employee entitlements for salaries and wages payable and annual and sick leave as at 30 June 2007 are accrued and recognised as a liability in the Balance Sheet. The liability has been based on actual entitlements calculated at current rates of pay.

(l) Leases

Finance Leases

Leases that effectively transfer to the Company and group substantially all the risks and benefits of ownership of the leased item are classified as *finance leases*. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The lease assets and corresponding lease liabilities are recognised in the Balance Sheet.

The leased assets are depreciated over the period that the Company and group are expected to benefit from their use on a straight-line basis.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as *operating leases*. Payments under these leases are charged as expenses in the periods in which they are incurred.

(m) Financial Instruments

All financial statements are initially recognised in Balance sheet at fair value.

The Company is party to financial instruments as part of its normal operation. These instruments include bank accounts, short term deposits, debtors, creditors and loans.

All financial instruments are recognised in the Balance Sheet and all revenues and expenses in relation to financial instruments are recognised in the Profit and Loss Account.

Interest bearing loans are recorded initially recorded at fair value and subsequently measured at amortised cost.

(n) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and demand deposits / investments in which the company invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the company and records 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 capital structure of the company.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the

income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of liability for at least 12 months after balance sheet date. Borrowing costs are expensed.

(p) Critical accounting estimates and assumptions

In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(q) Property, plant and equipment useful lives and residual value

At each balance date the company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company, and expected disposal proceeds from the future sale of the asset

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of financial performance, and carrying amount of the asset in the statement of financial position. The company minimises the risk of this estimation uncertainty by

Physical inspection of assets;
Asset replacement programs;
Review of second hand market prices for similar assets; and
Analysis of prior asset sales

The company has not made significant changes to past assumptions concerning useful lives and residual values.

6.2 In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Office of the Auditor General shall be

responsible for the audit of the financial statements of the Company.

- 6.3 Subject to the Board being satisfied as to the Company's financial position, the Company's dividend policy is to distribute 40% of the net surplus for the year after taxation exclusive of revaluations.
- 6.4 A budget summary report is *attached* to this Statement. The budget is a financial plan of the company's intentions based on factors known at the date of preparation. While it will form the basis of annual reporting, circumstances and the company's responses will change during the year. All capital expenditure will be subject to consideration of impact on the company's performance targets. Capital expenditure, other than for conservation of capacity or compliance, will generally be approved where the anticipated return meets or exceeds the company's cost of capital, or a strategic investment is being made in the best long-term interests of both the Company and Shareholders.

7. INFORMATION TO BE PROVIDED TO SHAREHOLDERS

The Company will deliver the shareholders:

- 7.1 Within two months of the end of the first half of the financial year the following unaudited statements:
- (i) A Statement of financial performance
 - (ii) A Statement of movements in equity
 - (iii) A Statement of financial position
 - (iv) A Statement of cash flows
 - (v) A Statement of service performance.
- 7.2 Within three months of the end of the Financial Year:
- (a) The following audited statements:
 - (i) A Statement of financial performance
 - (ii) A Statement of movements in equity
 - (iii) A Statement of financial position
 - (iv) A Statement of cash flows
 - (v) A Statement of service performance.
 - (b) A summary of how the Company has gone about achieving the objectives set out in Section 2 of this Statement and specifically, how well it has performed against the performance targets set out in Section 5 of this Statement.

- (c) A report on the Company's medium to long term plans.

PALMERSTON NORTH AIRPORT LIMITED
PROFIT AND LOSS ACCOUNT - Parent & Consolidated
For the 12 Months to 30 June

30-Jun-08			2008/09	2009/10	2010/11
Budget Unaudited	Forecast Unaudited		Budget	Indicative	Indicative
\$	\$		\$	\$	\$
5,527,000	5,143,498	REVENUE	4,962,500	5,841,000	6,153,500
		OPERATING EXPENSES			
		Operations and Maintenance:			
455,000	450,498	Border Control and Airfield Services	459,500	468,500	478,000
818,550	825,998	Other Operating Expenses	841,000	858,000	876,000
1,273,550	1,276,496	TOTAL OPERATIONS AND MAINTENANCE	1,300,500	1,326,500	1,354,000
		Administration:			
34,500	35,000	Audit Fees	35,500	36,500	37,000
5,000	500	Loss on Sale of Assets			
	(1,000)	Bad Debts Written Off	500	500	500
73,000	65,997	Changes in doubtful debt provision	1,000	1,000	1,000
		Directors' Fees	75,000	76,500	78,000
1,047,000	913,008	Amortisation of intangible asset			
1,159,500	1,013,505	General Administration	1,157,000	1,341,000	1,177,500
		TOTAL ADMINISTRATION:	1,269,000	1,455,500	1,294,000
2,433,050	2,290,001	TOTAL OPERATING EXPENSES	2,569,500	2,782,000	2,648,000
3,093,950	2,853,497	<i>Operating Surplus before interest, depreciation & taxation</i>	2,393,000	3,059,000	3,505,500
		Finance Costs & Depreciation:			
671,635	637,500	Term Loan Interest	615,000	1,287,500	1,410,500
615,700	619,496	Depreciation	743,000	864,500	908,000
1,287,335	1,256,996	TOTAL FINANCE COSTS & DEPRECIATION:	1,358,000	2,152,000	2,318,500
1,806,615	1,596,501	<i>Operating Surplus before taxation</i>	1,035,000	907,000	1,187,000
596,183	526,845	Taxation Expense on operating surplus	341,550	299,500	392,000
1,210,432	1,069,656	NET SURPLUS AFTER TAXATION	693,450	607,500	795,000

*The accompanying accounting policies and notes form part of and are to be read
in conjunction with these financial statements*

PALMERSTON NORTH AIRPORT LIMITED
BALANCE SHEET
As at 30 June

2008			2009	2010	2011
Budget	Forecast		Budget	Indicative	Indicative
			\$	\$	\$
		CURRENT ASSETS			
174,034	2,555,268	Bank balance and deposits	583,965	2,069,202	360,179
375,857	268,658	Trade accounts receivable	314,943	333,583	336,464
5,653	3,513	Inventory	3,513	3,513	3,513
45,858	60,706	Sundry receivables and prepayments	25,412	10,637	4,453
	80,176	Provision for taxation	91,683	166,809	217,033
601,402	2,968,322	TOTAL CURRENT ASSETS	1,019,516	2,583,744	921,642
		Less: CURRENT LIABILITIES			
90,000	90,000	Income in advance	90,000	90,000	90,000
179,998	179,998	Trade accounts payable	249,998	249,998	249,998
253,858	253,858	Other creditors	253,858	253,858	253,858
36,142	36,142	Employee entitlements	36,142	36,142	36,142
-45,288		Provision for taxation			
		Current Portion of Term Loan			
514,710	559,998	TOTAL CURRENT LIABILITIES	629,998	629,998	629,998
86,691	2,408,324	WORKING CAPITAL	\$389,518	\$1,953,746	\$291,644
		Add: NON CURRENT ASSETS			
32,671,003	36,146,690	Property, Plant & Equipment	40,128,828	43,395,039	46,609,564
1,943,710	1,943,710	Investment Property	1,943,710	1,943,710	1,943,710
		Intangibles			
2,100		Long Term Advance			
34,616,813	38,090,400	TOTAL NON CURRENT ASSETS	42,072,538	45,338,749	48,553,274
		Less: NON CURRENT LIABILITIES			
821,698	1,271,197	Deferred tax liability	1,271,197	1,271,197	1,271,197
8,050,000	7,750,000	Term loans	7,450,000	11,950,000	12,950,000
8,871,698	9,021,197	TOTAL NON CURRENT LIABILITIES	8,721,197	13,221,197	14,221,197
25,831,806	31,477,527	NET ASSETS	33,740,859	34,071,298	34,623,721
		Represented by:			
		SHAREHOLDERS' EQUITY			
9,350,400	9,380,400	Paid in Capital	11,380,400	11,380,400	11,380,400
16,481,406	22,097,127	Retained earnings	22,360,459	22,690,898	23,243,322
25,831,806	31,477,527	TOTAL SHAREHOLDERS' EQUITY	33,740,859	34,071,298	34,623,722

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements

PALMERSTON NORTH AIRPORT LIMITED
CASH FLOW STATEMENT - Parent & Consolidated
For the 12 Months to 30 June

30-Jun-08			2008/09	2009/10	2010/11
Budget Unaudited	Forecast Unaudited		Budget	Indicative	Indicative
			\$	\$	\$
		CASH FLOWS FROM OPERATING ACTIVITIES			
		<i>Cash was provided from:</i>			
5,510,794	5,030,313	Receipts from Customers	4,849,630	5,756,704	6,084,387
20,000	152,500	Interest Received	66,000	66,000	66,000
5,530,794	5,182,813		4,915,630	5,822,704	6,150,387
		<i>Cash was disbursed to:</i>			
2,457,962	2,272,129	Payment to Suppliers	2,466,701	2,767,812	2,641,681
596,000	496,155	Payment Of Tax	351,945	374,500	442,000
671,635	646,719	Interest Payments	614,925	1,287,275	1,410,729
3,725,597	3,415,003		3,433,571	4,429,587	4,494,410
1,805,197	1,767,810	Net cash flows from operating activities	1,482,059	1,393,117	1,655,977
		CASH FLOWS FROM INVESTING ACTIVITIES			
		<i>Cash was provided from:</i>			
158,000	260,122	Sale of Fixed Assets		750,000	
		Capital Contribution for construction of asset	120,000		
		<i>Cash was applied to:</i>			
3,901,007	1,326,934	Purchase Of Fixed Assets	4,845,500	4,880,500	4,122,000
(3,743,007)	(1,066,812)	Net cash flow from investing activities	(4,725,500)	(4,130,500)	(4,122,000)
		CASH FLOW FROM FINANCING ACTIVITIES			
		<i>Cash was provided from:</i>			
2,000,000	2,030,000	Share Issue	2,000,000		
	2,200,000	Borrowing		4,800,000	1,300,000
		<i>Cash was applied to:</i>			
545,675	2,500,000	Loan Repayment	300,000	300,000	300,000
	501,550	Payment Of Dividends	427,862	277,380	243,000
1,454,325	1,228,450	Net cash flow from financing activities	1,272,138	4,222,620	757,000
(483,485)	1,929,448	NET MOVEMENT IN CASH	(1,971,303)	1,485,237	(1,709,023)
657,519	625,820	Add Opening Cash Balance	2,555,268	583,965	2,069,202
174,034	2,555,268	CLOSING CASH BALANCE	583,965	2,069,202	360,179
		Made up of:			
174,034	2,555,268	Bank Balance and Deposits	583,965	2,069,202	360,179
174,034	2,555,268	CLOSING CASH BALANCE	583,965	2,069,202	360,179

*The accompanying accounting policies and notes form part of and are to be read
in conjunction with these financial statements*

PALMERSTON NORTH AIRPORT LIMITED
CAPITAL EXPENDITURE - Parent & Consolidated
For the 12 Months to 30 June

30-Jun-08			2008/09	2009/10	2010/11
Budget	Forecast		Budget	Indicative	Indicative
650,000	8,307	Land and Developments	2,700,000	0	0
1,759,407	142,979	Buildings	164,000	1,685,000	1,100,000
1,441,600	1,104,480	Infrastructure	1,935,500	3,119,500	2,170,000
0	39,538	Plant and Equipment	5,000	0	846,000
45,000	12,571	Furniture and Fittings	36,000	71,000	1,000
5,000	19,059	Computers	5,000	5,000	5,000
0	0	Motor Vehicles	0	0	0
(158,000)	(260,122)	<i>PNCC Contribution</i>	(120,000)	0	0
3,743,007	1,066,812	Total Capital Expenditure	4,725,500	4,880,500	4,122,000