



PALMERSTON NORTH
INTERNATIONAL AIRPORT
going places®

Palmerston North Airport Ltd

STATEMENT OF INTENT

For the year ending 30 June 2011

June 2010

STATEMENT OF INTENT

2010/2011

PALMERSTON NORTH AIRPORT LIMITED

June 2010

1 INTRODUCTION

- 1.1 This Statement of Intent (SOI) is prepared by the Board of Directors of Palmerston North Airport Limited in accordance with s64 of the Local Government Act 2002.
- 1.2 Palmerston North Airport Limited ('The Company') falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to s6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's shareholding.
- 1.3 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.
- 1.4 The SOI is reviewed annually. This SOI is provided in respect of the 2010/2011 financial year ending 30 June 2011, and the following two financial years for 2011/2012 and 2012/2013.
- 1.5 The Company owns and operates Palmerston North International airport, having purchased the airport business on 30 January 1990. The Company is trading as Palmerston North International Airport and as FreightGate.
- 1.6 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.
- 1.7 Contact details for both the Chairman and the Chief Executive officer are:

Address: First Floor, Terminal Building
Palmerston North International Airport
Airport Drive
P O Box 4384
Palmerston North 4442

Phone: +64 6 351 4415
Fax: +64 6 355 2262
Web: www.pnairport.co.nz

2 GOVERNANCE

- 2.1 The Board's approach to governance of the group is to preserve and enhance shareholder value in the long term.
- 2.2 The Board is responsible for the proper direction and control of the Company's activities and is accountable to the shareholders within the framework of the vision and objectives set out in this Statement of Intent, the Constitution, and the provisions of the Companies Act.
- 2.3 The Board comprises five Directors appointed by the shareholders in accordance with the Constitution.
- 2.4 Fees for the Board are reviewed annually. The Board recommends fee levels to the shareholders based on commercial or near-commercial rates.

3 SHAREHOLDERS FUNDS

- 3.1 The Shareholder's Funds of the Company are \$31.5m inclusive of an Asset Revaluation Reserve as detailed in the Interim Report to 31 December 2009.
- 3.2 The Board estimates the commercial value of the shareholders' investment in the group as being in the range \$11.2 million to \$14.7 million.
- 3.3 Shareholder investment is the value of the airport operations business plus current cash, less term debt of \$6.35m, plus the market value of undeveloped non-operational land. The value of the airport operations business has been estimated by using a multiple of EBITDA (earnings before interest, tax, depreciation and amortization). EBITDA is the forecast position at 30 June 2010 on the assumption of business continuing at present levels into the foreseeable future and an EBITDA multiple range of 6.5 to 8.5.

This estimate will be reviewed annually.

- 3.4 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).

4 COMPANY OBJECTIVES

- 4.1 'Purpose':

The Company's Vision is for Palmerston North International Airport to be a first class gateway for people and freight, with facilities that make our stakeholders proud.

The company will achieve this by -

- Providing a first class domestic airport that 'hums' and is an example to others

- Striving to attract a quality international carrier and provide them with appropriate services for the routes serviced
- Achieving the best possible commercial return on available land and property through development, sale, rental or lease
- Using our status and resources as a principal gateway to increase regional wealth through encouraging business activity and visitors

5 NATURE AND SCOPE OF ACTIVITIES

- 5.1 The Company's core business is to operate an airport in Palmerston North for both commercial and non-commercial aviation users.
- 5.2 The Company intends to maintain certification pursuant to Civil Aviation Rule Part 139.
- 5.3 The Company will ensure that all operational and commercial aspects of Palmerston North International Airport are undertaken safely in accordance with all statutory requirements and generally accepted best practice.
- 5.4 The Company maintains a detailed 'Exposition' setting out its responsibilities for the 'airside' of the airport operation and how they will be achieved.
- 5.5 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.
- 5.6 The Company provides international and domestic terminal facilities.
- 5.7 The Company will pursue opportunities to increase the value of commercial and non-aeronautical business streams at the airport without prejudicing future aviation functions.
- 5.8 The Company is committed to an environmentally responsible attitude to the operation of the business, including sustainable management of natural and physical resources, energy efficiency, managed stormwater runoff, noise management, and border biosecurity.
- 5.9 The Company will seek to grow the scale and scope of the business consistent with the Company Objectives. This may include activities such as:
 - a) Pursuing development of airport industrial land by encouraging the provision of aviation-related commercial facilities such as freight handling, distribution, aviation engineering support, flight training, and visitor industry activities;
 - b) Having an appropriate number of concessions within the terminal to maximise financial return;
 - c) Promoting the lower North Island as a destination with Palmerston North as the central gateway and as the central distribution commercial hub;

- d) Working collaboratively with promotional organisations whose strategic objectives support regional development;
- e) Seeking opportunities for air transport to be integrated with other transport modes to generate transport efficiencies in support of the regional economy;
- f) Encouraging airlines to provide enhanced levels of service and growth in sectors available;

5.10 The Company will continue to meet its obligations under the Resource Management Act and the Palmerston North City and Manawatu District Plans.

5.11 The Company may undertake such activities as are necessary to protect the long-term interests of the airport business. In particular the Company will pursue planning requirements that protect the core airport business from the reverse sensitivity effects of neighbouring development, and enable expansion of the airport business.

6 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 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 of the runway has been constructed.

RESA at the western end requires Milson Line to be shifted from its present position. The Palmerston North City Council has an Environment Court decision that will enable the current alignment of Milson Line to be stopped as soon as a deviation road has been constructed around the end of the airport works.

The timing of these works and subsequent stages of that long-term development strategy will be dependent upon progress in re-establishing international services and will be 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.

Although the financial budget in this Statement is based on domestic services only, the Company believes that a viable market exists for trans-Tasman services based on Palmerston North, and is striving to re-establish international services as soon as possible.

The company continues to pursue opportunities for realising longer term value from its land holdings. Individual decisions on how this will be achieved will be made on a case by case basis based on achieving the best overall value for the company. The budget reflected in this Statement provides for a nominal \$100,000 per annum of capital expenditure on property development during the three year planning period.

7 PERFORMANCE TARGETS

The Company has the following performance targets:

- 7.1 a ratio of net surplus before interest/tax/revaluations to total assets inclusive of revaluations of 3.0% per annum.
- 7.2 a ratio of net surplus after interest/tax to consolidated shareholders' funds inclusive of revaluation reserve of 1.4%.
- 7.3 to maintain an interest coverage ratio of net surplus before interest and tax to interest at or above 2.0
- 7.4 to maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$30 million dollars.
- 7.5 to maintain a level of customer satisfaction of 90% and will periodically measure this by customer survey.
- 7.6 total passenger throughput of 445,000 during the 2010/11 year.

8 POLICY STATEMENTS

8.1 Statement of Accounting Policies

8.1.1 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 2009.

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Airport Authorities Amendment Act 2000, the Local Government Act 2002, Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 the Companies Act 1993, and the Financial Reporting Act 1993.

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

8.1.2 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.

8.1.3 Specific Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(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 cost.

(b) Revenue measurement and recognition

Revenue is measured at fair value of goods and services rendered and recognised at the time when the goods and services are rendered.

Interest received is recognised using the effective interest rate method.

(c) 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 and impairment losses 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.

Revaluations

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 and at least once every three years. All revalued assets are assessed annually to ensure that they do not differ materially from their fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Accounting for Revaluations

PNAL accounts for revaluations of property, plant and equipment on a class of assets basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the profit and loss account. Any subsequent increase on revaluation that offset a previous decrease in value recognised in the profit and loss account will be recognised first in the profit and loss account up to the amount previously expensed, then credited to the revaluation reserve for that class of asset.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefit or service potential associated with the item will flow to the company and the cost can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the profit and loss account.

When revalued assets are sold, the amount included in revaluation reserve in respect of those assets is transferred to retained earnings.

Subsequent cost

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant and equipment are recognised in the profit and loss account as they are incurred.

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

Land Improvements	99 years
Roading & Carparks	2 - 99 years
Buildings & Building services	8 - 99 years
Runway, Taxiways, Aprons	2 - 99 years
Plant and Equipment	2 - 50 years
Furniture & Fittings	3 - 99 years
Computer Equipment	3 - 6 years
Motor Vehicles	5 years

Land and capital work in progress are not depreciated. The total cost of capital work in progress is transferred to the fixed assets system upon its completion or availability for use, and then depreciated.

(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 an 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 the specific software to use. 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.

Staff training costs are recognised as an expense when incurred.

Software amortisation

Computer software licenses are amortised on a straight line over their useful life. Amortisation begins when the asset is available for use and ceases when the asset is disposed off. The amortisation charge is recognised in the profit and loss account.

(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.

Impairment 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 Non-financial 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 annually.

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).

For assets not carried at revalued amount the total impairment loss is recognised in the profit and loss account.

The reversal of an impairment loss on revalued asset is credited to the revaluation reserve. However, to the extent that impairment loss for that class of asset was previously recognised in the profit and loss account, a reversal of the impairment loss is also recognised in the profit and loss account.

(g) Inventories

Inventories are stated at the lower of net realisable value or cost, and includes any costs associated with bringing the inventories to their current location and condition. The cost of the inventory is determined using the first in first out method. Where inventories are acquired at no cost or at nominal value the cost will be deemed to be the current replacement cost at the date of acquisition.

The amount of any write-down for the loss of service potential or cost to net realisable value is recognised in the statement of financial performance in the period of the write-down.

(h) Cash and Cash Equivalents

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

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 the Profit and Loss account.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(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 substantively 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 substantively 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 leave as at balance sheet date are accrued and recognised as a liability in the Balance Sheet. The liability is based on actual entitlements calculated at current rates of pay.

The company recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the company anticipates it will be used by staff to cover those future absences.

The Company had no long service or retirement leave obligations as at 30 June 2009.

Superannuation schemes

Obligations for contributions to Kiwisaver are accounted for as contributions to defined Superannuation schemes and are recognised as an expense in the profit and loss account when incurred.

(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 instruments 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 initially recorded at fair value and subsequently measured at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. The company's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits and related party loans.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the profit and loss account.

(n) Statement of Cash Flows

Cash and Cash Equivalents 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, with a maturity of less than three months.

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) Capital Contributions

Government grants related to the purchase of assets have been recognised as revenue and the carrying amount of the associated assets are recognised at full cost.

(q) 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:

Property, plant and equipment useful lives and residual values

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.

The carrying amounts of individual classes of property, plant and equipment will be shown as a note in the annual report

(r) Provisions

Provisions for future expenditure, as a result of past event, and of uncertain amount or timing are only recognised when it is probable that the obligation will materialise and the extent of the obligation can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure to be required to settle the obligation using a pre-tax discount rate. The increase in provision due to passage of time is recognised as a finance cost.

- 8.2 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.
- 8.3 The Company's dividend policy is to aim to distribute 40% of the net surplus for the year after taxation exclusive of revaluations, subject to the Board being satisfied that the solvency requirements of the companies Act are met. The actual percentage to be paid is subject to annual review by the Board and takes into account the prevailing financial circumstances in which the Company is operating, the working capital requirements to maximise shareholder value; any covenants contracted to the company's bankers as a condition of borrowing, and any comments received from the shareholders in relation to the Company's dividend policy.
- 8.4 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 the statement of intent, 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.

9 COMPENSATION SOUGHT FROM SHAREHOLDERS

- 9.1 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.
- 9.2 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.

10 INFORMATION TO BE PROVIDED TO SHAREHOLDERS

The Company will deliver the shareholders:

10.1 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.

10.2 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 4 of this Statement and specifically, how well it has performed against the performance targets set out in Section 7 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-10			2010/11	2011/12	2012/13
Budget Unaudited	Forecast Unaudited		Budget	Indicative	Indicative
\$	\$		\$	\$	\$
4,294,000	3,965,000	REVENUE	4,097,500	4,192,000	4,227,500
		OPERATING EXPENSES			
1,329,500	1,273,000	Operations and Maintenance:	1,308,500	1,334,000	1,361,500
		Administration:			
36,000	25,500	Audit Fees	29,500	30,500	31,000
		Loss on Sale of Assets			
500	22,000	Bad Debts Written Off	1,500	1,500	1,500
1,000	(17,000)	Changes in doubtful debt provision	500	500	500
75,000	75,000	Directors' Fees	75,000	78,000	79,500
		Amortisation of intangible asset			
996,000	883,000	General Administration	928,500	944,500	963,500
1,108,500	988,500	TOTAL ADMINISTRATION:	1,035,000	1,055,000	1,076,000
2,438,000	2,261,500	TOTAL OPERATING EXPENSES	2,343,500	2,389,000	2,437,500
1,856,000	1,703,500	<i>Operating Surplus before interest, depreciation & taxation</i>	1,754,000	1,803,000	1,790,000
		Finance Costs & Depreciation:			
646,500	555,500	Term Loan Interest	493,500	446,500	409,000
610,500	615,500	Depreciation	615,500	615,500	615,500
1,257,000	1,171,000	TOTAL FINANCE COSTS & DEPRECIATION:	1,109,000	1,062,000	1,024,500
599,000	532,500	<i>Operating Surplus before taxation</i>	645,000	741,000	765,500
179,700	175,995	Taxation Expense on operating surplus	193,500	207,000	214,500
419,300	356,505	NET SURPLUS AFTER TAXATION	451,500	534,000	551,000

*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

2010			2010/11	2011/12	2012/13
Budget	Forecast		Budget	Indicative	Indicative
			\$	\$	\$
		CURRENT ASSETS			
467,998	1,041,363	Bank balance and deposits	1,059,835	888,906	733,552
287,982	311,100	Trade accounts receivable	263,256	270,415	272,595
1,796	2,000	Inventory	2,000	2,000	3,327
50,412	56,791	Sundry receivables and prepayments	50,412	50,412	50,412
		Provision for taxation			
808,188	1,411,254	TOTAL CURRENT ASSETS	1,375,503	1,211,733	1,059,885
		Less: CURRENT LIABILITIES			
90,000	90,000	Income in advance	90,000	90,000	90,000
249,999	249,998	Trade accounts payable	249,998	249,998	249,998
173,858	163,858	Other creditors	207,991	156,000	156,000
36,142	36,142	Employee entitlements	2,009	54,000	54,000
18,161	50,406	Provision for taxation	33,998	11,170	225,512
		Current Portion of Term Loan			
568,160	590,404	TOTAL CURRENT LIABILITIES	583,996	561,168	775,510
240,028	820,850	WORKING CAPITAL	791,507	650,565	284,375
		Add: NON CURRENT ASSETS			
38,371,348	38,268,242	Property, Plant & Equipment	38,106,698	38,049,767	38,046,723
1,943,710		Investment Property			
		Intangibles			
		Long Term Advance			
40,315,058	38,268,242	TOTAL NON CURRENT ASSETS	38,106,698	38,049,767	38,046,723
		Less: NON CURRENT LIABILITIES			
1,266,221	1,315,410	Deferred tax liability	1,315,410	1,315,410	1,315,410
7,500,000	6,100,000	Term loans	5,600,000	5,050,000	4,350,000
8,766,221	7,415,410	TOTAL NON CURRENT LIABILITIES	6,915,410	6,365,410	5,665,410
31,788,865	31,673,682	NET ASSETS	31,982,795	32,334,922	32,665,688
		Represented by:			
		SHAREHOLDERS' EQUITY			
9,380,400	9,380,400	Paid in Capital	9,380,400	9,380,400	9,380,400
22,408,466	22,293,281	Retained earnings	22,602,395	22,954,522	23,285,288
31,788,866	31,673,681	TOTAL SHAREHOLDERS' EQUITY	31,982,795	32,334,922	32,665,688

*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-10			2011/11	2011/12	2012/13
Budget Unaudited	Forecast Unaudited		Budget	Indicative	Indicative
			\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
4,294,295	3,970,347	Receipts from Customers	4,136,395	4,176,273	4,216,480
16,500	37,999	Interest Received	9,000	9,000	9,000
4,310,795	4,008,346		4,145,395	4,185,273	4,225,480
<i>Cash was disbursed to:</i>					
2,292,187	2,264,089	Payment to Suppliers	2,327,360	2,391,088	2,439,188
161,000	121,000	Payment Of Tax	210,000	230,000	
646,425	555,500	Interest Payments	493,460	446,401	409,246
3,099,612	2,940,589		3,030,820	3,067,489	2,848,434
1,211,183	1,067,757	Net cash flows from operating activities	1,114,575	1,117,784	1,377,046
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
624,000	603,500	Sale of Fixed Assets			
		Capital Contribution for construction of asset			
<i>Cash was applied to:</i>					
2,801,000	872,423	Purchase Of Fixed Assets	453,500	558,113	612,000
(2,177,000)	(268,923)	Net cash flow from investing activities	(453,500)	(558,113)	(612,000)
CASH FLOW FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
2,000,000	600,000	Share Issue			
		Borrowing	800,000	1,300,000	
<i>Cash was applied to:</i>					
1,950,000	1,950,000	Loan Repayment	1,300,000	1,850,000	700,000
178,920	165,510	Payment Of Dividends	142,602	180,600	220,400
(128,920)	(1,515,510)	Net cash flow from financing activities	(642,602)	(730,600)	(920,400)
(1,094,737)	(716,676)	NET MOVEMENT IN CASH	18,473	(170,929)	(155,354)
1,562,735	1,758,039	Add Opening Cash Balance	1,041,363	1,059,835	888,906
467,998	1,041,363	CLOSING CASH BALANCE	1,059,835	888,906	733,552
<i>Made up of:</i>					
467,998	1,041,363	Bank Balance and Deposits	1,059,835	888,906	733,552
467,998	1,041,363	CLOSING CASH BALANCE	1,059,835	888,906	733,552

*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-10			2010/11	2011/12	2012/13
Budget	Forecast		Budget	Indicative	Indicative
2,000,000	933	Land and Developments	0	0	0
275,000	226,165	Buildings	387,000	546,113	350,000
510,000	629,195	Infrastructure	60,500	0	250,000
5,000	15,419	Plant and Equipment	0	6,000	6,000
6,000	711	Furniture and Fittings	1,000	1,000	1,000
5,000	0	Computers	5,000	5,000	5,000
0	0	Motor Vehicles	0	0	0
0	0	<i>PNCC Contribution</i>	0	0	0
2,801,000	872,423	Total Capital Expenditure	453,500	558,113	612,000