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OVERVIEW

We are pleased to present the 2012-13 Annual Report for Palmerston North Airport Limited (PNAL). From a financial perspective we achieved a surplus after tax of $491,883; a slight decrease on 2011/12, and 19% below the Statement of Intent target.

The Board and Management of PNAL continue to develop and refine our short and long term strategies to achieve our vision to “grow shareholder and regional economic value by operating a safe, efficient, attractive and profitable airport that serves the Central Region”. The vision reflects the importance that the airport plays to the greater region and the need to work closely with a wider range of stakeholders both from a business and a tourism perspective.

Over the year, PNAL continued to pursue new opportunities for the business that support passenger and economic growth. The initiatives have been focused on growing international services from only four New Zealand ports (Auckland, Christchurch, Wellington and Queenstown). PNAL has focused on developing domestic routes through new destinations, additional flights to existing destinations and improved connectivity for international from and to the region.

We have continued to research activities to determine what needs to be undertaken to grow the business and support the wider airport region. This has seen work undertaken in the development of a visitor strategy that supports aeronautical route development. PNAL has consulted widely with key stakeholders in the regions of Palmerston North, Horowhenua, Rangitikei, Ruapehu, Manawatu and Tararua Districts. We wish to grow the notion of an airport hub for the Lower/ Central North Island Region of New Zealand. We have also continued to pursue opportunities to see our land assets developed which support the regional hub concept. The location of Palmerston North within central New Zealand is an attraction to distribution and logistics organisations but maintaining the ability of the airport to operate 24 hours a day, 7 days a week is absolutely critical to maintaining the region’s competitive advantage.

FINANCIAL

Revenue was up 2.4% on previous year. Aeronautical revenue increased by 3.4%, and non-aeronautical by 1%. Our focus continues to be on the cost efficiency of running the business while at the same time undertaking work to identify activity that supports growth in both aeronautical and non-aeronautical revenues.

From a financial perspective, a net surplus after tax of $491,883 was achieved for the period. This is 0.7% below the same period last year and 19% below the Statement of Intent target. Additional unplanned operational costs, increased insurance costs along with a higher than expected taxation charge resulted in the below plan surplus. The operational cost increases were due to the additional maintenance work undertaken on and around the airport environment, projects to support the aeronautical development plans and consultants used to support work required for sectional review of the MDC and PNCC District Plans. The higher taxation charge was due to adjustments in deferred tax as a consequence of a review of the asset register and items held as work in progress. The net surplus before tax was 3.6% above the previous year and EBITDA 1.6% higher.

Passenger numbers on scheduled commercial flights for the full twelve months were down 0.9% (less than 1%) although seat availability increased slightly. On 1 October 2012, the final stage of our announced aeronautical pricing review was implemented with the removal of the separate departure levy.

The company undertook a review of its debt structure with new arrangements being completed in December 2012. The restructuring saw a review of arrangements, with the outcome being a more flexible debt facility for the business. Two fixed rate loans expired in late 2012 and early 2013 and the transfer of these into the new facility has resulted in reduced interest charges. With a further $400,000 of bank debt being repaid during the last 12 months, interest charges should continue to decrease in the new financial year.

The company’s balance sheet remains strong with net assets of $35.5 million. All banking covenants were met and long term debt was reduced by $420,000 during the year. The capital expenditure of $650,368 relates to capital replacement on the runway and apron, and the upgrade of the café. Capital expenditure was significantly less than the Statement of Intent forecast of $3,009,925. The property development opportunity included in the Statement of Intent did not progress and a number of other capital projects have been carried forward into the 2013-14 year. This has also resulted in borrowings being lower than forecast by $1,900,000.

A dividend of 2.14 cents per share will be made for the year ended 30 June 2013. This equates to $196,753.

During the year, information technology systems were upgraded to meet future operating requirements, provide efficiency gains and enhance security. This included a new company website enabling PNAL to communicate to a greater audience and additional CCTV cameras in the car-park to offer improved protection of customer vehicles.

AERONAUTICAL

From October 1, 2012, the 5% levy for all departing customers was removed. The levy is now included in the ticket price, bringing us into line with mainstream airports. From a customer perspective, this has simplified processing for departing customers from Palmerston North Airport and removed a source of negative customer perception.

We continue to work closely with our airline partners to identify route development opportunities. The first stage of this has seen new direct services between Palmerston North and Nelson commencing July 12th 2013. PNAL hopes to continue to expand its domestic connections and look at better connectivity to support the ease of trans-Tasman and long-haul connections. An important factor in this is to develop a higher demand for travel within the region. We plan to align...
our development opportunities with regional visitor strategies. As well as building en route development options, we have also worked hard with Air New Zealand to develop package and promotional options that benefit both our organisations through the growth of traffic in and out of the region.

Domestic cargo volumes continue to perform well, with the central location of Palmerston North critical for distribution businesses. The 24/7 operation remains a key strategic advantage for the airport and its users. The importance of a central distribution hub that provides non-curfew operations has been highlighted by many users as a major reason for basing their business in the Manawatu region. The recent announcement from NZ Post to move more of its operations to the Manawatu will not only benefit the region but will provide more opportunity for the airport to support the distribution of mail and packages in and out of the region, with the 24/7 operation of the airport critical to this business.

All statutory requirements relating to the airport have been met during the financial year, including satisfactory independent audits by the Civil Aviation Authority. These were also supported by continuing monthly internal audits and quality control checks. PNAL maintains a strong focus on Health, Safety & Environment issues and works with other organisations involved in providing services on the airport to ensure we continue to provide a safe and secure environment for all airport users.

We have continued to improve the visitor experience at the airport with initiatives including a major revamp of the café area, supported by new and additional seating along the face of the landside terminal area, with a designated smoking area located to the east of the terminal frontage. The terminal look and feel continues to be enhanced with regional promotion now taking its place around the facility.

Just as important, has been the focus on airport/airfield maintenance work. During the year we were able to clear a backlog of maintenance and repair issues as well as tidy the airport environment around the landside areas. The team undertook two apron pavement upgrades during February and March with this work undertaken without any operational impacts for our customers. Some one-off maintenance to the terminal roof was also required during the period. Additional planting and landscaping were also completed as part of the improvements to airport.

Training organisations utilising the airport continue to expand, with Helipco expanding its facilities to conduct flight training from the airport. Massey Aviation continues to develop its flight-training operations and, coupled with Airways New Zealand, have supported an increase in on-campus and airport air traffic control training. Task Protection Services has continued to provide full-compliance rescue, fire and security capability for the airport. The TASK team manage the day to day airside operations whilst supporting the airport campus with various safety and security training for our customers. We also focus on the development of our people who are integral in delivering high service levels on a day to day basis for our customers. We have seen the establishment of a Customer Services team whose roles will continue to evolve over time to support the needs of the business.

As a business, we have introduced new information technology and upgraded existing systems to support business operations and provide better use of resources. This will provide a platform for the introduction of new technologies as part of future infrastructure upgrades including the introduction of a new car parking system scheduled for the 2013/14 financial year. We also continue to focus on energy-saving strategies for the airport, with the addition of energy-efficient lighting and trialing various types of product to enhance both customer and operational areas whilst supporting cost efficiencies.

**NON-AERONAUTICAL/COMMERCIAL**

Over the past 12 months, the team has focused on property development opportunities based on the PNAL land holding. The management team has been working on a property development plan that will identify new opportunities, as well as working with existing customers on their future growth paths and how best to support their development. Palmerston North Airport is well-suited to support training organisations - both flight and air traffic - as well as distribution and cargo operations.

PNAL has also reviewed existing lease agreements, bringing these up to date with current best practice. We continue to build our non-aeronautical revenues through advertising, concessions and new tenants. Over the last twelve months PNAL has renegotiated the licences for taxi services at the airport for a further two year period. The café has undergone a full redevelopment with a new concession agreement signed with the operators of this facility; the new café layout has added to the customer ambience of the terminal and provided an improved level of service.

Other property activities have seen a new refuelling facility for Air BP and the return of Europicar to the suite of rental car options for customers arriving into the region. The recent announcement of NZ Post to shift operations into the Manawatu Region is also exciting and will provide benefits to the airport from a freight and passenger perspective.

Car parking operations continue to be well supported with 8.9% increase in vehicles using the car park by comparison with the previous year which has generated 4.8% increase in revenue for the period.

Our business development focus continues to be on increasing the volume of traveller’s, building retail options and non-aeronautical developments, improvement of tenant and customer relationships and seeking new areas of growth that align with the company’s strategic direction.

**FUTURE**

The Board and Management will continue to develop and refine our short and long term strategies to achieve our vision to “grow shareholder and regional economic value by operating a safe, efficient, attractive and profitable airport that serves the Central Region”.

We strive to place the airport in a position where it can both meet the short and long term demands of the aviation industry and changing needs of customers. Essential to this is the key strategic advantage of having (or maintaining) a 24/7 operational airport to support business, logistics and tourism.

While we continue to promote direct trans-Tasman options with airlines as opportunities arise, we are not confident of a resumption of direct international services in the short-term. Our priority will thus remain on the development of additional domestic services and international linkages through the domestic network. This will be supported by continued work to raise awareness of attractions and events throughout the wider region we serve. We will also continue to encourage regional collaboration to drive further regional growth. That growth is important for the airport as PNAL’s future growth will be directly aligned with visitor and business growth. Opportunities to develop our land assets will also be pursued.

In closing, our thanks go to the PNAL team, and business partners for their on-going work and support throughout the business and their contribution to the safe and secure operation of the airport. We also appreciate the positive support from the Palmerston North City Council as our sole shareholder.

*Chairman*  
Derek Walker

*Chief Executive*  
Darin Cusack
BOARD AND MANAGEMENT PROFILE

1: MANAGEMENT OF PALMERSTON NORTH AIRPORT
From left to right:
L Macdonald (Business Services Manager)
D Cusack (Chief Executive)
R Bodell (Facilities Manager)

2: BOARD OF DIRECTORS OF PALMERSTON NORTH AIRPORT
From left to right:
O Stock
G Gillespie
D Walker (Chairman)
J Adam
J Nichols
13 CASE STUDIES
CASE STUDIES

MASSEY UNIVERSITY SCHOOL OF AVIATION

Massey University School of Aviation delivers a unique university programme that integrates pilot training directly within academic ‘papers’ of an undergraduate degree.

The School’s Bachelor of Aviation (BAv) provides both domestic and international students with premise pilot training. A key philosophy of the School is to shape students’ minds and not just teach them to fly. From the beginning of their education and training, an environment is established where students are required to be disciplined and on time, both characteristics which are critical aspects of the industry and instil professionalism within the students from day one.

That this professional approach to flight training is a core element of a BAv student’s education is evidenced not only by the advanced equipment and technology Massey provides but is underpinned by a philosophy of research-led teaching and learning. Massey is constantly improving its blended learning, training methods and equipment technology. An example is the Diamond training fleet of DA and DA42 aircraft, which is New Zealand’s only full training fleet of aircraft equipped with digital technology. Massey also has a number of flight training devices to aid pilot training. Students engage in Scenario Based Training to develop the competencies required and skills demanded of air transport pilots and modern airline cockpits. Students now fly throughout New Zealand where they are exposed to different airports and air spaces, giving the students ‘real life’ flying and also allowing them to complete all the elements of basic flight training.

Massey University School of Aviation works closely with Palmerston North Airport. Students interact and see firsthand a busy, regional airport with Aviation Security, Rescue Fire and Air Traffic Control that other regional airports may not have. The location of the airport as a training base has become more critical to how the students complete the practical components of papers. Training is as real as possible and students can develop their decision-making skills in a safe environment and relatively uncrowded air space. The community of aviation organisations also provides great support and enhancement to the School; these linkages are of considerable value to the students’ learning. The city of Palmerston North provides a great student-city environment. In addition, the variable weather patterns and terrain provide flying conditions that offer opportunities to reflect the scenarios facing commercial pilots on a daily basis.

Each year there are two intakes to an annual maximum of 50 students and two “Wings” Ceremonies. Palmerston North Airport supports Massey’s Wing Ceremonies with the Palmerston North Airport - Professional Attributes Award. For each graduation a cohort winner is selected recognising their professional competencies as well as flying ability. Students graduating with a Massey University Bachelor of Aviation degree are ‘pilots with a difference’ as they have gained an in-depth understanding of various aspects of the aviation industry throughout their degree. Furthermore, they have enhanced employment opportunities, both domestically and internationally, as their training is held in high regard throughout the world. In addition, Massey University is an Air New Zealand Flight Training Organisation partner and students who have attained their “wings” have the opportunity to be selected by the national carrier to enrol in the Air New Zealand Airline Integration Course that introduces students to the demands of a multi-crew cockpit and the systems and operations of modern turbo-prop and jet aircraft.

AIRWAYS

Airways New Zealand is a state-owned enterprise and operates as a commercial business. Its key function is to manage air traffic flow at international and regional airports and military bases throughout New Zealand, preventing aircraft collisions in the air and on the ground. New Zealand has structured flight paths linking all aerodromes and Airways also manage the radar centres that map all inflight aircraft and aids with flight information and timings.

Within the Central North Island, Palmerston North Airport is a sizable regional airport and Airways has a team on site. This Airways team consists of air traffic controllers who manage the control tower and technicians maintaining systems, navigation centers and runway lighting both here and for other central regions. Airways manage a set air space surrounding the airport which is closely neighboured by Ohakea Military base and Feilding Aerodrome with which they liaise on all aircraft movement. The control tower is managed for 16 hours a day, seven days a week. As Palmerston North Airport has a 24 hour resource consent for aircraft movement, air traffic control switches to Airways Christchurch through remote access.

With more than 70,000 air movements a year at the Palmerston North airport and four to five aircraft regularly in the air space at a time, Airways systems and processes are finely tuned, as are its relationships. Airways liaises with Palmerston North Airport, airlines, general aviation organisations and maintenance and rescue service providers to optimise efficient and effective aircraft movements on and off the ground. Intricate relationships between all parties are crucial to the smooth running of all organisations’ operations and ensure pilots, passengers and goods reach their destinations safely and on time.

Airways is the only training provider for air traffic controllers in New Zealand. It has a training centre in Christchurch and an international training unit in Palmerston North. The training unit is based at Massey University and has six simulators - three control towers and three radar suites - which are based on actual airports and radar centres throughout New Zealand. Student training involves theory on aviation, law procedures, weather and navigation to the level of a commercial pilot and also simulated training for five months. The simulators duplicate reality as closely as possible, including different weather and wind situations so students have practical knowledge of procedures and they are able to learn through repetition. Palmerston North provides Airways with a key training area as it is a student orientated city, is home to Massey University Aviation School and the airport is close to the city centre.
The Directors have pleasure in presenting to shareholders the Annual Report and audited financial statements of Palmerston North Airport Limited for the year ended 30 June 2013. This report and the audited financial statements are dated 21 August 2013 and cannot be amended for any reason without the Board’s approval.

Palmerston North Airport Limited is a ‘Council-Controlled Trading Organisation’ pursuant to the Local Government Act 2002.

PRINCIPAL ACTIVITIES
The principal activities of the Company during the year were:

- To provide airport facilities and services to airlines and airport users (both commercial and non-commercial) through the ownership and operation of Palmerston North Airport.

OWNERSHIP
Palmerston North Airport Limited is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is 100% owned by the Palmerston North City Council.

FINANCIAL REPORT
Here are the financial results for the year under review. Details of these financial results are shown on pages 33 to 36

Performance

<table>
<thead>
<tr>
<th>Performance</th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,589,800</td>
<td>4,593,500</td>
<td>4,480,318</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,765,104</td>
<td>1,933,000</td>
<td>1,738,650</td>
</tr>
<tr>
<td>Net Profit after Tax</td>
<td>491,983</td>
<td>610,500</td>
<td>495,564</td>
</tr>
<tr>
<td>Passenger</td>
<td>445,147</td>
<td>467,000</td>
<td>449,318</td>
</tr>
</tbody>
</table>

Financial Position

<table>
<thead>
<tr>
<th>Financial Position</th>
<th>2013 Gross Amount</th>
<th>2012 Gross Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>344,304</td>
<td>51,349</td>
</tr>
<tr>
<td>Current Assets</td>
<td>688,251</td>
<td>386,729</td>
</tr>
<tr>
<td>Property, Plants &amp; Equipment</td>
<td>43,039,088</td>
<td>46,436,782</td>
</tr>
<tr>
<td>Shareholder Funds</td>
<td>35,475,288</td>
<td>36,259,151</td>
</tr>
</tbody>
</table>

No other remuneration or benefits other than reimbursement of expenses has been paid or given to Directors.

USE OF COMPANY INFORMATION BY DIRECTORS
There were no notices from Directors of the Company requesting to use company information received in their capacity as Directors that would not otherwise have been available to them.

DIRECTORS’ REMUNERATION
The amount of $76,500 per annum in 2013 and $73,153 per annum in 2012 was paid, or due and payable, to members of the Board as authorised by the Shareholder as follows:-

- Walker D N 22,948 22,948
- Gillespie G F 13,388 13,388
- Stock O B 13,388 13,388
- Nichols J 13,388 10,041
- Adlam J 13,388 3,347
- Wong R J 6,694
- Cruden G N 3,347

76,500 73,153

SHAREHOLDING BY DIRECTORS
During the year there were no shareholding transactions involving the Directors.
DIRECTORS’ INTERESTS

During the course of the financial year to 30 June 2013, Directors declared interest in the following entities:

<table>
<thead>
<tr>
<th>Interest</th>
<th>Nature of interest</th>
<th>Relationship to PNAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. D N Walker</td>
<td>Elmira Consulting Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director &amp; Shareholder</td>
<td>Third Bearing Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director &amp; Shareholder</td>
<td>TBL Investments Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Consultant</td>
<td>Palmerston North City Council</td>
<td>Shareholder/ Supplier</td>
</tr>
<tr>
<td>Director</td>
<td>The Bio Commerce Centre Ltd &amp; Subsidiaries</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>NZ Wind Farms Ltd &amp; Subsidiaries</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>Speirs Group Ltd &amp; Subsidiaries</td>
<td>Customer</td>
</tr>
<tr>
<td>Director</td>
<td>Wilson Cook Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Mr. O B Stock</td>
<td>Steel Pencil Holdings Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director &amp; Shareholder</td>
<td>Steel Pencil Philippines Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>Aorangi Hospital Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>Steel Pencil New Zealand Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Mr. G F Gillespie</td>
<td>EziBuy</td>
<td>Customer</td>
</tr>
<tr>
<td>Director</td>
<td>EziBuy</td>
<td>Customer</td>
</tr>
<tr>
<td>Shareholder</td>
<td>Max Fashions</td>
<td>None</td>
</tr>
<tr>
<td>Mr J Nichols</td>
<td>Port of Napier Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>Centralines Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>Nichols Consulting Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>Mid Central Zone NZ Rugby League</td>
<td>None</td>
</tr>
<tr>
<td>Consultant</td>
<td>Palmerston North City Council</td>
<td>Shareholder</td>
</tr>
<tr>
<td>Ms J Adlam</td>
<td>The Sustainability Trust</td>
<td>None</td>
</tr>
<tr>
<td>Trustee</td>
<td>Tautoko Services</td>
<td>None</td>
</tr>
<tr>
<td>Board Member</td>
<td>Mojo Coffee Ltd</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>The Ice House</td>
<td>None</td>
</tr>
</tbody>
</table>

All Directors have interest in the Directors and Officers Liability Insurance Policy. Details of transactions made during the year are given in note 22 of the Notes to the Financial Statements.

REMEMERATION OF EMPLOYEES

The number of employees, who are not Directors, whose total remuneration and benefits exceeded $100,000 in the financial year were:

<table>
<thead>
<tr>
<th>Remuneration Range</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000 - $110,000</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>$200,000 - $210,000</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

AUDITORS

As provided for by Section 70 of the Local Government Act 2002, Audit New Zealand, on behalf of the Auditor General, is hereby re-appointed as Auditor to the Company.

Auditor’s remuneration of $26,500 (GST exclusive) for the 2013 annual audit is reflected in the financial statements as due and payable and includes $1,500 for FreightGate.
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SERVICE PERFORMANCE
SERVICE PERFORMANCE

The Company’s Statement of Intent is dated May 2013.
The Company is trading as Palmerston North Airport.
The Company has an interest in FreightGate Limited, a wholly owned subsidiary company which was formed in October 2001 and may be used for the management of non-operational property.
The ratio of consolidated shareholder funds to total assets has been maintained above 70%, inclusive of revaluations of land and buildings.
Palmerston North Airport has been maintained as an airport certificated pursuant to Civil Aviation Rule Part 139 and has achieved satisfactory audits during the period.
All obligations under the Resource Management Act and the District Plans of the Palmerston North City Council and Manawatu District Council have been met.

OBJECTIVE:

TO GROW THE SHAREHOLDER’S AND REGIONAL ECONOMIC VALUE BY OPERATING A SAFE, EFFICIENT, ATTRACTIVE AND PROFITABLE AIRPORT THAT SERVES THE CENTRAL REGION.

OUR VISION - WHAT WE WANT TO BE

During the year the company adopted a new Company Vision to grow the shareholder’s and regional economic value by operating a safe, efficient, attractive and profitable airport that serves the Central Region.

1. All persons visiting or using the airport are our customers
   We will provide quality services that are welcoming, and that enhance the convenience and enjoyment of travellers and those greeting them or bidding them farewell.

2. Businesses serving the airport are our customers
   We will provide an efficient, commercial environment and work in close cooperation with our partners and stakeholders to ensure our mutual success.

3. The safety and security of our people, customers and partners is our critical concern
   We will meet and exceed all standards and regulations relating to airport operations.

4. Our people are the key to our success
   We will meet our goals through the skill, commitment, resourcefulness and hard work of everyone at Palmerston North Airport. We will facilitate their development and recognize their achievement.

5. Shareholder value is our key business objective
   We will operate a successful enterprise that allows us to invest in the future. This benefits all our stakeholders: customers, partners, owners and staff.
Above is a graph of how we have grown over the years in five-year intervals.

PERFORMANCE MEASURES

- **Total Passenger Throughput**: 445,147
- **Interest Cover Ratio**: 2.73
- **Tangible Net Worth**: $35.4m

- **Ratio of Net Surplus before Interest and Tax to Total Assets**: 2.56%
- **Ratio of Net Surplus after Interest and Tax to Consolidated Shareholder Funds**: 1.39%
- **Customer Satisfaction**: 96%

<table>
<thead>
<tr>
<th>30 June 2013</th>
<th>30 June 2013</th>
<th>30 June 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>SOI</td>
<td>Actual</td>
</tr>
<tr>
<td>2.56%</td>
<td>2.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>1.39%</td>
<td>1.7%</td>
<td>1.4%</td>
</tr>
<tr>
<td>&gt;2</td>
<td>&gt;2</td>
<td>2.55</td>
</tr>
<tr>
<td>$35.4m</td>
<td>$35.9m</td>
<td>$34.85m</td>
</tr>
<tr>
<td>445,147</td>
<td>467,000</td>
<td>449,318</td>
</tr>
<tr>
<td>96%</td>
<td>90%</td>
<td>96%</td>
</tr>
</tbody>
</table>

* 96% are either “Quite satisfied” or “very satisfied” - Customer Satisfaction Survey November 2011
## Financial Statements

### Statement of Comprehensive Income - Parent & Consolidated

**For the year ended 30 June 2013**

<table>
<thead>
<tr>
<th>Note</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4,599,800</td>
<td>4,593,500</td>
<td>4,480,318</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airfield Services</td>
<td>493,503</td>
<td>493,500</td>
<td>493,503</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>1,180,906</td>
<td>920,000</td>
<td>983,344</td>
</tr>
<tr>
<td><strong>Total Operations and Maintenance</strong></td>
<td>1,674,409</td>
<td>1,413,500</td>
<td>1,476,847</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Fees</td>
<td>27,083</td>
<td>27,500</td>
<td>26,000</td>
</tr>
<tr>
<td>Loss on Sale of Assets</td>
<td>2,812</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bad Debts Written Off</td>
<td>13,367</td>
<td>500</td>
<td>333</td>
</tr>
<tr>
<td>Changes in Doubtful Debt Provision</td>
<td>-</td>
<td>-</td>
<td>21,746</td>
</tr>
<tr>
<td>Directors’ Fees</td>
<td>76,500</td>
<td>76,500</td>
<td>73,153</td>
</tr>
<tr>
<td>Employee Expenses</td>
<td>700,649</td>
<td>876,000</td>
<td>744,281</td>
</tr>
<tr>
<td>General Administration</td>
<td>329,876</td>
<td>266,500</td>
<td>399,308</td>
</tr>
<tr>
<td><strong>Total Administration</strong></td>
<td>1,150,287</td>
<td>1,247,000</td>
<td>1,264,821</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>2,824,696</td>
<td>2,660,500</td>
<td>2,741,668</td>
</tr>
<tr>
<td><strong>Operating Surplus Before Interest, Taxation, Depreciation &amp; Amortisation</strong></td>
<td>1,765,104</td>
<td>1,933,000</td>
<td>1,738,650</td>
</tr>
<tr>
<td><strong>Finance Costs, Depreciation &amp; Amortisation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Costs</td>
<td>408,709</td>
<td>449,500</td>
<td>441,727</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>16/17</td>
<td>647,477</td>
<td>635,500</td>
</tr>
<tr>
<td><strong>Total Finance Costs, Depreciation &amp; Amortisation</strong></td>
<td>1,056,186</td>
<td>1,085,000</td>
<td>1,054,704</td>
</tr>
<tr>
<td><strong>Operating Surplus Before Taxation</strong></td>
<td>708,918</td>
<td>848,000</td>
<td>683,946</td>
</tr>
<tr>
<td><strong>Taxation Expense on Operating Surplus</strong></td>
<td>217,035</td>
<td>237,500</td>
<td>188,382</td>
</tr>
<tr>
<td><strong>NET SURPLUS AFTER TAXATION</strong></td>
<td>491,883</td>
<td>610,500</td>
<td>495,564</td>
</tr>
</tbody>
</table>

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

**Derek Walker**
Chair | 21/08/2013

**Ormond Stock**
Director | 21/08/2013

### Statement of Changes in Equity - Parent & Consolidated

**For the year ended 30 June 2013**

<table>
<thead>
<tr>
<th>Note</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Surplus After Taxation</strong></td>
<td>491,883</td>
<td>610,500</td>
<td>495,564</td>
</tr>
<tr>
<td>Gains (loss) on Revaluation of Land and Buildings</td>
<td>19(d)</td>
<td>-</td>
<td>- (866,226)</td>
</tr>
<tr>
<td>Movement in Deferred Tax at Revaluation</td>
<td>18</td>
<td>-</td>
<td>- 242,543</td>
</tr>
<tr>
<td><strong>Comprehensive Income Attributed to the Shareholder</strong></td>
<td>491,883</td>
<td>610,500</td>
<td>(128,119)</td>
</tr>
</tbody>
</table>

**Equity at the Beginning of the Year**

<table>
<thead>
<tr>
<th>Note</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity at the End of the Year</strong></td>
<td>35,475,288</td>
<td>36,259,151</td>
<td>35,176,500</td>
</tr>
<tr>
<td>Total Comprehensive (Loss) Income</td>
<td>491,883</td>
<td>610,500</td>
<td>(128,119)</td>
</tr>
<tr>
<td>Distribution to Shareholder During the Year</td>
<td>(193,095)</td>
<td>(244,200)</td>
<td>(211,485)</td>
</tr>
</tbody>
</table>

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements.
## Statement of Financial Position - Parent & Consolidated

**As at 30 June 2013**

<table>
<thead>
<tr>
<th>Note</th>
<th>Current Assets</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Cash and Cash Equivalents</td>
<td>344,304</td>
<td>51,349</td>
<td>506,896</td>
</tr>
<tr>
<td>11</td>
<td>Trade Accounts Receivable</td>
<td>332,516</td>
<td>300,749</td>
<td>303,722</td>
</tr>
<tr>
<td>12</td>
<td>Inventory</td>
<td>6,725</td>
<td>10,472</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Sundry Receivables and Prepayments</td>
<td>11,431</td>
<td>27,906</td>
<td>17,812</td>
</tr>
</tbody>
</table>

**Total Current Assets**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>386,729</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>838,902</td>
</tr>
</tbody>
</table>

### Less: Current Liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Income in Advance</td>
<td>79,380</td>
<td>90,000</td>
<td>87,392</td>
</tr>
<tr>
<td>13</td>
<td>Trade Accounts Payable</td>
<td>172,265</td>
<td>250,000</td>
<td>260,979</td>
</tr>
<tr>
<td>14</td>
<td>Employee Benefit Liabilities</td>
<td>36,035</td>
<td>54,000</td>
<td>40,241</td>
</tr>
<tr>
<td>15</td>
<td>Tax Payable</td>
<td>17,362</td>
<td>103,272</td>
<td>56,495</td>
</tr>
<tr>
<td>16</td>
<td>Current Portion of Borrowings</td>
<td>-</td>
<td>-</td>
<td>1,200,000</td>
</tr>
</tbody>
</table>

**Total Current Liabilities**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>653,272</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>1,749,483</td>
</tr>
</tbody>
</table>

### Working Capital

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>312,317</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>(266,543) (910,581)</td>
</tr>
</tbody>
</table>

### Add: Non Current Assets

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Property, Plant &amp; Equipment</td>
<td>43,014,650</td>
<td>46,435,782</td>
<td>43,024,223</td>
</tr>
<tr>
<td>17</td>
<td>Intangible Assets</td>
<td>24,438</td>
<td>-</td>
<td>14,602</td>
</tr>
</tbody>
</table>

**Total Non Current Assets**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>43,039,088</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>43,038,825</td>
</tr>
</tbody>
</table>

### Less: Non Current Liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Deferred Tax Liability</td>
<td>2,876,117</td>
<td>3,010,088</td>
<td>2,751,744</td>
</tr>
<tr>
<td>19</td>
<td>Borrowings</td>
<td>5,000,000</td>
<td>6,900,000</td>
<td>4,200,000</td>
</tr>
</tbody>
</table>

**Total Non Current Liabilities**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>7,876,117</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>9,910,088</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>6,951,744</td>
</tr>
</tbody>
</table>

**Net Assets**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>35,475,288</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>36,259,151</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>35,176,500</td>
</tr>
</tbody>
</table>

**Represented by:**

### Shareholder's Equity

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>19(a)</td>
<td>Paid in Capital</td>
<td>9,380,400</td>
<td>9,380,400</td>
<td>9,380,400</td>
</tr>
<tr>
<td>19(b)</td>
<td>Retained Earnings</td>
<td>15,961,674</td>
<td>16,745,537</td>
<td>15,662,886</td>
</tr>
<tr>
<td>19(d)</td>
<td>Asset Revaluation Reserve</td>
<td>10,133,214</td>
<td>10,133,214</td>
<td>10,133,214</td>
</tr>
</tbody>
</table>

**Total Shareholder's Equity**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>35,475,288</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>36,259,151</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>35,176,500</td>
</tr>
</tbody>
</table>

For and on behalf of the board,

---

## Statement of Cash Flow - Parent & Consolidated

**For the Year Ended 30 June 2013**

### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from Customers</td>
<td>4,345,606</td>
<td>4,612,685</td>
<td>4,526,455</td>
</tr>
<tr>
<td>Interest Received</td>
<td>5,715</td>
<td>9,000</td>
<td>7,842</td>
</tr>
<tr>
<td>Tax Refund</td>
<td>201,579</td>
<td>-</td>
<td>186,929</td>
</tr>
</tbody>
</table>

**Net cash flows from operating activities**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>1,080,871</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>1,305,687</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>1,211,736</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Property, Plant &amp; Equipment</td>
<td>650,368</td>
<td>3,009,925</td>
<td>979,347</td>
</tr>
</tbody>
</table>

**Net Cash Flow from Investing Activities**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>3,472,029</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>3,315,998</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>3,509,490</td>
</tr>
</tbody>
</table>

### Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>30-Jun-13 Actual $</th>
<th>30-Jun-13 SOI $</th>
<th>30-Jun-12 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>300,000</td>
<td>2,700,000</td>
<td>1,100,000</td>
</tr>
</tbody>
</table>

**Net cash from Financing Activities**

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>(593,095)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>1,255,800</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>(411,485)</td>
</tr>
</tbody>
</table>

### Net Increase/(Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>-162,592</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>-448,438</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>179,096</td>
</tr>
</tbody>
</table>

### Closing Cash Balance

<table>
<thead>
<tr>
<th>30-Jun-13</th>
<th>344,304</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-12</td>
<td>51,349</td>
</tr>
<tr>
<td>30-Jun-12</td>
<td>506,896</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 (NOTES 1-3)

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 2013.

Functional and presentation currency
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.

Changes in accounting policies
There have been no changes in accounting policies during the financial year.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted
Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company are:
- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.
The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, Palmerston North Airport Limited is classified as a Tier 1 reporting entity and it will be required to apply Public Benefit Entity Accounting Standards Disclosure Regime (PAS DR). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Airport Company expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the company is unable to assess the implications of the new Accounting Standards Framework at this time. Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

3. SIGNIFICANT ACCOUNTING POLICIES
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.

Subsidiaries
The Company consolidates in the group financial statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Company controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Company or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary. The cost of a business combination is measured as the aggregate of:
- The consideration transferred, which is generally measured at acquisition date fair value;
- The amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquirer; and
- The acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over the Company’s interest in the net fair values of the identifiable assets, liabilities, and contingent liabilities is recognised as goodwill. If the Company’s interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the surplus or deficit.

Investments in subsidiaries are carried at cost in the Company’s parent entity financial statements.

(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 qualify 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 fair value. Fair value is the amount that an asset could be exchanged between knowledgeable and willing parties in an arm’s length transaction.

- Revaluations
  - An independent registered valuer conducts the valuations on a systematic basis with sufficient regularity to ensure that the carrying amount 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. 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 offsets 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 benefits 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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Improvements</td>
<td>99 years</td>
</tr>
<tr>
<td>Roading &amp; Car Parks</td>
<td>2 - 99 years</td>
</tr>
<tr>
<td>Buildings &amp; Building services</td>
<td>8 - 99 years</td>
</tr>
<tr>
<td>Runway, Taxiways, Aprons</td>
<td>2 - 99 years</td>
</tr>
<tr>
<td>Plant and Equipment</td>
<td>2 - 50 years</td>
</tr>
<tr>
<td>Furniture &amp; Fittings</td>
<td>3 - 99 years</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>3 - 6 years</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5 years</td>
</tr>
</tbody>
</table>

- 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

Cost associated with the development of the company’s web-site are recognised as an intangible asset and are capitalised on the basis of the cost incurred to bring to use the intangible asset. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation charge for each period is recognised in the profit and loss account up to the amount previously capitalised.

- 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 of. 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 assets 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 include 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 realising, 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 2013.

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.

(1) Leases
Leases
Finance Leases
Leases that effectively transfer 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 receivable
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.

(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 property, plant and equipment are disclosed in note 16.

(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.

(e) Equity
Equity is measured through the following components:
- Retained Earnings;
- Paid in Capital;
- Asset Revaluation Reserve;

<table>
<thead>
<tr>
<th>Component</th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Revaluation Reserve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid in Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Revaluation Reserve</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. ANALYSIS OF OPERATING REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landing, Departure &amp; Facility Fees</td>
<td>2,508,860</td>
<td>2,546,000</td>
</tr>
<tr>
<td>Car Park, Rent and Advertising</td>
<td>1,966,249</td>
<td>1,965,500</td>
</tr>
<tr>
<td>Other</td>
<td>106,976</td>
<td>73,000</td>
</tr>
<tr>
<td>Interest</td>
<td>5,715</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,589,800</td>
<td>4,593,500</td>
</tr>
</tbody>
</table>

5. OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates</td>
<td>337,402</td>
<td>317,999</td>
</tr>
<tr>
<td>Power and Insurance</td>
<td>288,614</td>
<td>196,263</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>554,890</td>
<td>403,738</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,180,906</td>
<td>983,344</td>
</tr>
</tbody>
</table>

6. AUDIT FEES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees for Audit of Financial Statements</td>
<td>25,583</td>
<td>26,000</td>
</tr>
<tr>
<td>Freight Gate Ltd</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27,083</td>
<td>26,000</td>
</tr>
</tbody>
</table>

No other remuneration was paid or is payable to the auditor.

7. EMPLOYEE EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>688,195</td>
<td>769,219</td>
</tr>
<tr>
<td>Employer Contribution to KiwSaver</td>
<td>9,432</td>
<td>6,280</td>
</tr>
<tr>
<td>Movement in Employee Entitlements</td>
<td>3,022</td>
<td>(31,218)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>700,649</td>
<td>744,281</td>
</tr>
</tbody>
</table>

8. FINANCE COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Secured Long Term Loans</td>
<td>408,709</td>
<td>441,727</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>408,709</td>
<td>441,727</td>
</tr>
</tbody>
</table>
9. TAXATION

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Surplus (deficit) before taxation</td>
<td>708,918</td>
<td>-</td>
<td>683,946</td>
</tr>
<tr>
<td>Taxation thereon @ 28%</td>
<td>196,497</td>
<td>237,500</td>
<td>191,505</td>
</tr>
<tr>
<td>plus (less) tax effect of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- permanent differences/non-deductible expenditure</td>
<td>-</td>
<td>-</td>
<td>26,718</td>
</tr>
<tr>
<td>- prior year under/(over) provision</td>
<td>(86,450)</td>
<td>-</td>
<td>(18,665)</td>
</tr>
<tr>
<td>- deferred tax adjustment for the year</td>
<td>104,988</td>
<td>-</td>
<td>(11,176)</td>
</tr>
<tr>
<td>Tax expense for the year</td>
<td>217,035</td>
<td>237,500</td>
<td>188,382</td>
</tr>
</tbody>
</table>

Components of Tax Expense

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Tax Expense</td>
<td>179,112</td>
<td>237,500</td>
<td>218,223</td>
</tr>
<tr>
<td>Prior year adjustments</td>
<td>(86,450)</td>
<td>-</td>
<td>(18,665)</td>
</tr>
<tr>
<td>Deferred Tax Expense</td>
<td>124,373</td>
<td>-</td>
<td>(11,176)</td>
</tr>
<tr>
<td>Total Tax Expense</td>
<td>217,035</td>
<td>237,500</td>
<td>188,382</td>
</tr>
</tbody>
</table>

During the year the company received an additional $131,773 tax refund as a result of the Palmerston North City Council tax losses being offset against the Company’s tax liability (2012: $166,500). The tax refunds received were paid to the Palmerston North City Council.

10. CASH & CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Account</td>
<td>13,393</td>
<td>42,134</td>
<td>21,931</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>1,000</td>
<td>7,200</td>
<td>4,200</td>
</tr>
<tr>
<td>Foreign Currency on Hand</td>
<td>-</td>
<td>2,015</td>
<td>2,610</td>
</tr>
<tr>
<td>Short Term Investment Account</td>
<td>329,911</td>
<td>-</td>
<td>478,155</td>
</tr>
<tr>
<td>Total</td>
<td>344,304</td>
<td>51,349</td>
<td>506,896</td>
</tr>
</tbody>
</table>

The interest rate and currency risks on these balances are detailed in note 26.

11. TRADE ACCOUNTS AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors and Other Receivables</td>
<td>331,773</td>
<td>300,754</td>
<td>328,039</td>
</tr>
<tr>
<td>Receivables from Related Party</td>
<td>743</td>
<td>1,000</td>
<td>1,140</td>
</tr>
<tr>
<td>Provision for Impairment</td>
<td>-</td>
<td>(1,005)</td>
<td>(25,457)</td>
</tr>
<tr>
<td>Total</td>
<td>332,516</td>
<td>300,749</td>
<td>303,722</td>
</tr>
</tbody>
</table>

As at 30 June 2013 and 2012, all overdue receivables were assessed for impairment and appropriate provisions applied as detailed below:

<table>
<thead>
<tr>
<th></th>
<th>2013 Gross</th>
<th>2013 Impairment</th>
<th>2013 Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current to 1 month</td>
<td>312,121</td>
<td>-</td>
<td>312,121</td>
</tr>
<tr>
<td>1 to 2 months</td>
<td>10,819</td>
<td>-</td>
<td>10,819</td>
</tr>
<tr>
<td>2 to 3 months</td>
<td>9,576</td>
<td>-</td>
<td>9,576</td>
</tr>
<tr>
<td>3 months and over</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>332,516</td>
<td>-</td>
<td>332,516</td>
</tr>
</tbody>
</table>

The provision for impairment is based on our assessment on specific debtors in our pool of debtors.

12. INVENTORY

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departure Receipts</td>
<td>-</td>
<td>2,000</td>
<td>4,236</td>
</tr>
<tr>
<td>Other Office Stationery</td>
<td>-</td>
<td>4,725</td>
<td>6,236</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>6,725</td>
<td>10,472</td>
</tr>
</tbody>
</table>

The airport does not hold any inventories that are subject to retention of title clauses and no inventories are pledged as security for liabilities.
13. TRADE ACCOUNTS PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Accounts Payable</td>
<td>170,023</td>
<td>245,000</td>
<td>257,101</td>
</tr>
<tr>
<td>Payables to Related Party</td>
<td>2,242</td>
<td>5,000</td>
<td>3,878</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>172,265</strong></td>
<td><strong>250,000</strong></td>
<td><strong>260,979</strong></td>
</tr>
</tbody>
</table>

All trade accounts payable are non-interest bearing and are normally settled on 30-day terms. The carrying amounts of trade accounts payable are the contractual amounts and approximate their fair value.

14. EMPLOYEE BENEFIT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Pay</td>
<td>11,042</td>
<td>37,000</td>
<td>18,270</td>
</tr>
<tr>
<td>Annual Leave</td>
<td>23,002</td>
<td>15,000</td>
<td>19,739</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>1,991</td>
<td>2,000</td>
<td>2,232</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,035</strong></td>
<td><strong>54,000</strong></td>
<td><strong>40,241</strong></td>
</tr>
</tbody>
</table>

15. BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>5,000,000</td>
<td>6,900,000</td>
<td>4,200,000</td>
</tr>
<tr>
<td>Current Portion of Borrowings</td>
<td>-</td>
<td>-</td>
<td>1,200,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,000,000</strong></td>
<td><strong>6,900,000</strong></td>
<td><strong>5,400,000</strong></td>
</tr>
<tr>
<td>Interest Rates on Borrowings</td>
<td>4.9%-8.2%</td>
<td>6.7%-9.23%</td>
<td>6.7%-9.23%</td>
</tr>
</tbody>
</table>

Registered mortgage over property owned by the Company secure the $5 million borrowings from Bank of New Zealand. This includes existing perfected security interest in all present and after acquired property of Palmerston North Airport Ltd. Refer to Note 16 for the carrying value of the secured assets at balance date. The Company is not to sell, transfer or encumber Company assets over $50,000 without BNZ’s prior consent.

Maturity Analysis and effective interest rates

The following is a maturity analysis of the Company’s borrowings. There are no early repayment options.

<table>
<thead>
<tr>
<th>2013 Loans Due</th>
<th>Weighted average interest rate</th>
<th>Carrying Amount</th>
<th>Contractual Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>After five years</td>
<td>7.51%</td>
<td>5,000,000</td>
<td>6,943,787</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5,000,000</strong></td>
<td><strong>6,943,787</strong></td>
</tr>
</tbody>
</table>

The carrying value of borrowings is materially consistent with their fair value. Contractual Cash Flow calculation has been based on the assumption that as fixed loan rates mature and are re-fixed the interest rates remain the same. The same assumption is used for the floating component of the loan.
16. PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Buildings</th>
<th>Infrastructure</th>
<th>Plant &amp; Equipment</th>
<th>Furniture &amp; Fittings</th>
<th>Computer Equipment</th>
<th>Motor Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances 1 July 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost / Valuation</td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carrying Amount</td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td><strong>Movements for the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
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<tr>
<td>Disposals</td>
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<tr>
<td>Revaluation Write-down</td>
<td>-</td>
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<tr>
<td>Reclassification of Renewals</td>
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</tr>
<tr>
<td>Depreciation for the Year</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Dep. Reversal on Revaluation</td>
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<td>-</td>
</tr>
<tr>
<td><strong>Cost/Revaluation</strong></td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td><strong>Carrying Amount</strong></td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td>Capital work in progress included at cost</td>
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<tr>
<td>30-Jun-13</td>
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</tr>
</tbody>
</table>

Balances 30 June 2013

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Buildings</th>
<th>Infrastructure</th>
<th>Plant &amp; Equipment</th>
<th>Furniture &amp; Fittings</th>
<th>Computer Equipment</th>
<th>Motor Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost / Valuation</td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
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<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Carrying Amount</td>
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<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td>** Movements for the year**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Disposals</td>
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<td>-</td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification of Renewals</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation for the Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dep. Reversal on Revaluation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cost/Revaluation</strong></td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td><strong>Carrying Amount</strong></td>
<td>21,351,000</td>
<td>11,199,914</td>
<td>14,952,366</td>
<td>1,732,896</td>
<td>521,621</td>
<td>257,319</td>
<td>25,026</td>
<td>43,014,650</td>
</tr>
<tr>
<td>Capital work in progress included at cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>30-Jun-13</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

17. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Web-site Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances 1 July 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost / Valuation</td>
<td>14,602</td>
<td>14,602</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carrying Amount</td>
<td>14,602</td>
<td>14,602</td>
</tr>
<tr>
<td><strong>Movements for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>11,817</td>
<td>11,817</td>
</tr>
<tr>
<td>Depreciation for the Year</td>
<td>(1,981)</td>
<td>(1,981)</td>
</tr>
<tr>
<td>Dep. Reversal on Revaluation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing Balances 30 June 2013</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost/Revaluation</td>
<td>26,419</td>
<td>26,419</td>
</tr>
<tr>
<td>Accumulated Dep</td>
<td>(1,981)</td>
<td>(1,981)</td>
</tr>
<tr>
<td>Carrying Amount</td>
<td>24,438</td>
<td>24,438</td>
</tr>
<tr>
<td><strong>Capital work in progress included at cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-Jun-13</td>
<td>193,887</td>
<td>193,887</td>
</tr>
</tbody>
</table>

Land and Buildings Fair Value

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

The replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity. The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information. The remaining useful life of assets is estimated.

Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

The most recent valuation was performed by Messrs. B D Mainwaring, ANZIV, SPINZ, and H G Thompson, ANZIV, SPINZ, of Blackmore & Associates, effective 30 June 2012.

Property Plant and Equipment pledged as security on borrowings

Land and Buildings with a carrying amount of $27,875,000 (2012 – $27,875,000) has been pledged as security for the borrowings in note 15.

Computer Equipment work in progress (14,602) has been reclassified as Intangible Assets as per Note 17.
### Property plant and equipment

<table>
<thead>
<tr>
<th>Year</th>
<th>Web-site Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances 1 July 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost / Valuation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carrying Amount</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Movements for the year**

- **Additions**: 14,602
- **Depreciation for the Year**: -
- **Dep. Reversal on Revaluation**: -

**Closing Balances 30 June 2012**

- **Cost/Revaluation**: 14,602
- **Accumulated Dep**: -
- **Carrying Amount**: 14,602

**Capital work in progress included at cost**

- **30-Jun-12**: 14,602

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities. Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

### Deferred Tax (Assets)/Liabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Property plant and equipment</th>
<th>Employee entitlements</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances 1 July 2012</td>
<td>2,766,967</td>
<td>(6,152)</td>
<td>(9,061)</td>
<td>2,751,744</td>
</tr>
<tr>
<td>Charged to Profit and Loss - Current Year</td>
<td>118,799</td>
<td>(3,477)</td>
<td>9,061</td>
<td>124,373</td>
</tr>
<tr>
<td>Balance at 30 June 2013</td>
<td>2,885,746</td>
<td>(9,629)</td>
<td>-</td>
<td>2,876,117</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Property plant and equipment</th>
<th>Employee entitlements</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 July 2011</td>
<td>3,015,562</td>
<td>(7,904)</td>
<td>(2,625)</td>
<td>3,005,433</td>
</tr>
<tr>
<td>Charged to Profit and Loss - Current Year</td>
<td>(6,492)</td>
<td>1,752</td>
<td>(6,436)</td>
<td>(11,176)</td>
</tr>
<tr>
<td>Charged to Capital Reserve on Re-valuation</td>
<td>(242,543)</td>
<td>-</td>
<td>-</td>
<td>(242,543)</td>
</tr>
<tr>
<td>Balance at 30 June 2012</td>
<td>2,766,967</td>
<td>(6,152)</td>
<td>(9,061)</td>
<td>2,751,744</td>
</tr>
</tbody>
</table>

### Equity

#### (a) Share Capital

- **9,195,000 Ordinary Share Capital at 30 June**: 9,380,400
- **Closing Balance**: 9,380,400

All shares carry equal voting rights and the right to any share in surplus on winding up of the company. None of the shares carry fixed dividend rights.

### Retained Earnings

<table>
<thead>
<tr>
<th>Year</th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>15,662,886</td>
<td>16,379,237</td>
<td>15,376,807</td>
</tr>
<tr>
<td>Net Operating Surplus</td>
<td>491,883</td>
<td>610,500</td>
<td>495,564</td>
</tr>
<tr>
<td>Dividends Paid during year</td>
<td>(193,095)</td>
<td>(244,200)</td>
<td>(211,485)</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>15,961,674</td>
<td>16,745,537</td>
<td>15,662,886</td>
</tr>
</tbody>
</table>

### Proposed Dividends

The Directors having satisfied the solvency test have declared a fully imputed dividend of 2.14 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2013 representing $196,753 for the 12 months ending 30 June 2013, (a dividend 2.1 cents per $1 paid up share capital representing $193,095 was declared for the 12 months ending 30 June 2012).

### Asset Revaluation Reserve

<table>
<thead>
<tr>
<th>Year</th>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>10,133,214</td>
<td>10,133,214</td>
<td>10,756,897</td>
</tr>
<tr>
<td>Revaluation movement</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Land</td>
<td>19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Buildings</td>
<td>19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less Deferred Taxation movement</td>
<td>-</td>
<td>-</td>
<td>242,543</td>
</tr>
<tr>
<td>- Buildings</td>
<td>19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>10,133,214</td>
<td>10,133,214</td>
<td>10,133,214</td>
</tr>
</tbody>
</table>

### Asset Revaluation Reserve Consists of

<table>
<thead>
<tr>
<th>Year</th>
<th>2013 Actual</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>9,325,398</td>
<td>9,325,398</td>
</tr>
<tr>
<td>Building</td>
<td>807,816</td>
<td>807,816</td>
</tr>
<tr>
<td>Total</td>
<td>10,133,214</td>
<td>10,133,214</td>
</tr>
</tbody>
</table>
### 20. CASH FLOW RECONCILIATION

<table>
<thead>
<tr>
<th>2013 Actual</th>
<th>2013 SOI</th>
<th>2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Surplus after Taxation</td>
<td>491,883</td>
<td>610,500</td>
</tr>
</tbody>
</table>

**Add (Less) Non-cash items:**

- **Depreciation:**
  - 2013: 647,477
  - 2012: 635,500
  - Net: 11,977

- **Loss on sale of assets:**
  - 2013: 2,812
  - 2012: -
  - Net: -

- **Deferred tax movement:**
  - 2013: 124,373
  - 2012: -
  - Net: -11,176

**Net Movements in Working Capital:**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) / Decrease in Trade Accounts Receivable</td>
<td>(28,978)</td>
</tr>
<tr>
<td>Decrease / (Increase ) in Accrued Revenue &amp; Prepayments</td>
<td>6,381</td>
</tr>
<tr>
<td>(Increase) / Decrease in Inventory</td>
<td>10,472</td>
</tr>
<tr>
<td>Increase in Accounts Payable &amp; Accruals</td>
<td>(134,416)</td>
</tr>
<tr>
<td>Increase in Provision for Taxation</td>
<td>(39,133)</td>
</tr>
</tbody>
</table>

**Net Cash Flow from Operating Activities**

- **2013:** 1,080,871
- **2012:** 1,305,687
- **2010:** 1,211,736

### 21. IMPUTATION CREDIT ACCOUNT

Imputation credits available for subsequent report periods are $2,103,722 (2012: 2,174,390)

*2012 has been amended post-closing balance of 2012 as prior adjustments do not impact on the Imputation Credit Account; previously 2012 stated $2,155,725.

### 22. RELATED PARTY TRANSACTIONS

- Palmerston North City Council (PNCC) holds 100% of the issued shares of the Company.
- The Company received services from PNCC during the 12 months ended 30 June 2013 for $330,453 (2012: $329,758) exclusive of GST, none of which related to capital expenditure. In addition, a tax loss offset of $470,617 resulted in a tax refund of $131,773 for the 2011/12 tax year. The tax loss offset for 2010/11 was $554,999 and resulted in a $166,500 tax refund. The tax refunds were paid to PNCC.

- The company provided services to the Council during the 12 months ended 30 June 2013 for $32,833 (2012: $19,177) exclusive of GST.
- Other than the tax loss, all transactions were conducted on normal commercial terms.
- The Company owed Palmerston North City Council $2,243 (2012: $5,559) exclusive of GST as at 30 June 2013, (the balance owing as at 30 June 2012 was $548).
- Palmerston North City Council owes the Company $564 (2012: $1,140) inclusive of GST as at 30 June 2013, (the balance owing as at 30 June 2012 was $1,140).

### Other Related Party Transactions - Details:

<table>
<thead>
<tr>
<th>Related Party Transaction</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services provided to Ezibuy Ltd.</td>
<td>10,457</td>
<td>12,389</td>
</tr>
<tr>
<td>Services provided to New Zealand Institute of Crop and Food</td>
<td>-</td>
<td>3,972</td>
</tr>
<tr>
<td>Services provided to Stargate Investments</td>
<td>-</td>
<td>5,475</td>
</tr>
<tr>
<td>Services provided by Computer Care NZ</td>
<td>-</td>
<td>565</td>
</tr>
</tbody>
</table>

Ezibuy owed the Company $179 as at 30 June 2013 (2012: $1,578).

Relationship of these parties to the Company is shown in Directors interests section on page 21.

### 23. COMMITMENTS

#### Capital Commitments

The Company has no capital commitments as at 30 June 2013. Commitments at 30 June 2012 was nil.

<table>
<thead>
<tr>
<th>Operating Commitments as Lessee</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 Year</td>
<td>16,501</td>
<td>12,041</td>
</tr>
<tr>
<td>Between 1 and 5 Years</td>
<td>11,879</td>
<td>14,826</td>
</tr>
<tr>
<td>Over 5 Years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,380</strong></td>
<td><strong>26,867</strong></td>
</tr>
</tbody>
</table>

These commitments relate to IT and are GST exclusive. 2012 figures have been adjusted to remove Rescue Fire.

<table>
<thead>
<tr>
<th>Operating Commitments as Lessor</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than One Year</td>
<td>722,424</td>
<td>1,031,830</td>
</tr>
<tr>
<td>Between 1 and 5 Years</td>
<td>969,184</td>
<td>1,977,788</td>
</tr>
<tr>
<td>Over 5 Years</td>
<td>538,114</td>
<td>3,189,849</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,229,722</strong></td>
<td><strong>6,199,467</strong></td>
</tr>
</tbody>
</table>

2013 commitments has been calculated until the end of the current right of renewal, or end of the contract, which ever comes first whereas 2012 was calculated on the entire life of the contract, including all rights of renewal. These commitments relate to property leases, advertising, and rental agency contracts and are GST exclusive.

There are other ongoing leases amounting to $67,786 per annum that are on a month to month base (2012: 196,754).
24. CONTINGENCIES

The Company had no contingent assets or liabilities as at 30 June 2013 and 2012.

25. MAJOR VARIANCES EXPLAINED

<table>
<thead>
<tr>
<th>Account</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expense</td>
<td>1,674,409</td>
<td>1,413,500</td>
<td>(260,909)</td>
<td>Insurance increased by 38% and a major focus was placed on airside maintenance.</td>
</tr>
<tr>
<td>Total Administration</td>
<td>1,150,287</td>
<td>1,247,000</td>
<td>96,713</td>
<td>Employees costs were much lower as a result of restructuring of the Corporate Office and an on-going vacancy. Reduced employee costs were partially offset by increased consultancy costs. Consultancy costs included Project Outback, support in Compliance and Policy updates and a review of the Treasury function.</td>
</tr>
<tr>
<td>Current Assets</td>
<td>688,251</td>
<td>386,729</td>
<td>301,522</td>
<td>Cash &amp; Cash Equivalents remain higher as a result of the under-spend in the CAPEX budget.</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>375,934</td>
<td>653,272</td>
<td>277,338</td>
<td>Accounts Payable and Other Creditors remain lower than budget. All Accounts payable are non-interest bearing and are settled within 30 days. Accrued expenditure remains lower as a result of changes in processing &amp; supplier’s behaviour ensuring invoices are received prior to month end close-off.</td>
</tr>
<tr>
<td>Property, Plant, Equipment &amp; Intangible Assets</td>
<td>43,039,088</td>
<td>46,435,782</td>
<td>3,396,694</td>
<td>Flow on effect from the revaluation at end of 2012 resulting in decrease in fair value of buildings. CAPEX spend to budget for 2013 was less than budget (47%), further increasing variance.</td>
</tr>
<tr>
<td>Borrowings</td>
<td>5,000,000</td>
<td>6,900,000</td>
<td>1,900,000</td>
<td>Lower level of debt at the end of 2013 as a result of the flexible debt structure along with reduced CAPEX spend to budget.</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>193,095</td>
<td>244,200</td>
<td>51,105</td>
<td>Lower payment due to Net Profit after Tax being below budget.</td>
</tr>
</tbody>
</table>

26. FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below.

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Rating*</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>AA-</td>
<td>344,304</td>
<td>506,896</td>
</tr>
<tr>
<td>Trade Receivables</td>
<td></td>
<td>332,516</td>
<td>303,722</td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td></td>
<td>676,820</td>
<td>810,618</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Liabilities</th>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Accounts and Other Payable</td>
<td></td>
<td>322,537</td>
<td>459,006</td>
</tr>
<tr>
<td>Borrowings - Secured Loans</td>
<td></td>
<td>5,000,000</td>
<td>5,400,000</td>
</tr>
<tr>
<td>Total Financial liabilities</td>
<td></td>
<td>5,322,537</td>
<td>5,859,006</td>
</tr>
</tbody>
</table>

Palmerston North Airport Limited has a Finance and Treasury policy to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities. The Finance and Treasury policy do not allow any transactions that are speculative in nature to be entered into.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investments.

The Company has $344,304 on current and call account as at 30 June 2013 (2012: $500,086). A plus or minus 1.0% movement in interest rate basis points (bps) has an effect on interest income of $3,443.

The Company has no other short-term deposits as at 30 June 2013 (2012: nil).

Interest Rate Sensitivity Current and Call account

<table>
<thead>
<tr>
<th></th>
<th>-100bps</th>
<th>+100bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (3,443)</td>
<td>0</td>
<td>3,443</td>
</tr>
<tr>
<td>Equity</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The Company has $344,304 on current and call account as at 30 June 2013 (2012: $500,086). A plus or minus 1.0% movement in interest rate basis points (bps) has an effect on interest income of $3,443.

Borrowings

84% of borrowings are on fixed term and will not be affected by movements in interest rates. $500,000 is floating (2012: nil). A plus or minus 1.0% movement in interest rate basis points (bps) has an effect on interest income of $8,000.
Currency Risk
The Company has no foreign exchange currency.

Credit Risk
Financial instruments that potentially subject the Company to credit risk principally consist of cash and short term investments and trade accounts receivables.

The Company invests in high credit quality financial instruments and limits the amount of credit exposure to any one financial institution. Outside of the Company’s current provider the Company only invests in NZ registered commercial banks with a Standard & Poor’s Ratings of at least AA. Accordingly, the Company does not require any collateral.

Maximum exposures to credit risk are the amounts disclosed under the financial instruments category and are net of any recognised provision for losses on these financial instruments.

Concentrations of Credit Risk
There is a limited base of customers for the services provided by the Company.

As at 30 June 2013, 81% of total receivables are from 11 customers. (71% of total receivables were from 11 customers as at 30 June 2012) All of the 81% is considered to be fully recoverable. The Company is not exposed to any other concentrations of credit risk.

Credit Facilities
The Company has no credit facilities other than the normal 30-day trading terms.

Fair Values
The method and assumption used is that the carrying amount in the financial statements reflects the estimated fair value of the financial instruments including receivables, bank and investments, accounts payable and term loans.

Liquidity Risk
Liquidity risk is the risk that the Company encounters difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company has an overdraft facility of $100,000. There are no restrictions on the use of this facility.

27. CAPITAL MANAGEMENT
The Company’s capital is its equity, which comprises paid in share capital and retained earnings. Equity is represented by net assets.

The Company’s constitution requires shareholder approvals to carry on any business other than the operation of Palmerston North Airport.

The subsidiary Company, FreightGate Ltd was formed with the approval of Shareholders. The Palmerston North City Council has by resolution exempted Freightgate Ltd pursuant to s7(3) of the Local Government Act subject to certain conditions.

The Company’s approach to the management of capital is outlined in the Statement of Intent, including performance targets to achieve returns on assets, whilst remaining a going concern and meeting the requirements of the Companies Act.

28. EVENTS AFTER BALANCE DATE
There are no significant events after the balance sheet date.

HISTORICAL FINANCIAL HIGHLIGHTS

<table>
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</thead>
<tbody>
<tr>
<td>Statement of Financial Performance</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>4,590</td>
<td>4,480</td>
<td>4,225</td>
<td>3,981</td>
<td>4,090</td>
<td>5,181</td>
<td>5,598</td>
<td>5,642</td>
<td>5,586</td>
<td>5,957</td>
<td>4,317</td>
</tr>
<tr>
<td>Net Surplus Before Interest, Depn., Taxation</td>
<td>1,765</td>
<td>1,739</td>
<td>1,821</td>
<td>1,674</td>
<td>1,888</td>
<td>2,864</td>
<td>3,259</td>
<td>3,167</td>
<td>2,566</td>
<td>2,853</td>
<td>2,018</td>
</tr>
<tr>
<td>Net Surplus Before Taxation &amp; Misc. items</td>
<td>709</td>
<td>684</td>
<td>748</td>
<td>501</td>
<td>658</td>
<td>1,611</td>
<td>2,020</td>
<td>1,902</td>
<td>1,412</td>
<td>1,389</td>
<td>623</td>
</tr>
<tr>
<td>Net Surplus After Taxation excluding deferred tax adj.</td>
<td>492</td>
<td>496</td>
<td>535</td>
<td>327</td>
<td>423</td>
<td>1,030</td>
<td>1,448</td>
<td>1,301</td>
<td>837</td>
<td>1,301</td>
<td>593</td>
</tr>
<tr>
<td>Earnings Per $ of Paid Up Share Capital (excl. deferred tax adjustments)</td>
<td>5.35c</td>
<td>5.39c</td>
<td>5.82c</td>
<td>3.56c</td>
<td>4.61c</td>
<td>11.86c</td>
<td>20.21c</td>
<td>19.47c</td>
<td>16.30c</td>
<td>29.78c</td>
<td>17.19c</td>
</tr>
<tr>
<td>Dividend Proposed or Paid Per $ of Paid Up Share Capital (excl. of any premium on issue)</td>
<td>2.14c</td>
<td>2.10c</td>
<td>2.30c</td>
<td>1.56c</td>
<td>1.80c</td>
<td>4.30c</td>
<td>7.00c</td>
<td>6.40c</td>
<td>6.50c</td>
<td>9.60c</td>
<td>6.80c</td>
</tr>
</tbody>
</table>

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Financial Position</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
<td>(000)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>43,727</td>
<td>43,878</td>
<td>44,645</td>
<td>44,664</td>
<td>42,305</td>
<td>41,057</td>
<td>41,057</td>
<td>38,708</td>
<td>32,614</td>
<td>30,220</td>
<td>17,019</td>
</tr>
<tr>
<td>Share Capital paid up (excl. of any premium on issue)</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>9,195</td>
<td>4,033</td>
</tr>
<tr>
<td>Net Asset Backing Per Share (excl. deferred tax adjustments)</td>
<td>3.86</td>
<td>3.83</td>
<td>3.86</td>
<td>3.86</td>
<td>3.83</td>
<td>3.86</td>
<td>3.83</td>
<td>3.83</td>
<td>3.83</td>
<td>3.83</td>
<td>3.83</td>
</tr>
<tr>
<td>Return On Shareholder Funds (excl. deferred tax adjustments)</td>
<td>1.39%</td>
<td>1.41%</td>
<td>1.51%</td>
<td>0.00%</td>
<td>1.34%</td>
<td>3.46%</td>
<td>5.01%</td>
<td>6.20%</td>
<td>4.31%</td>
<td>11.3%</td>
<td>9.19%</td>
</tr>
</tbody>
</table>

* 15-month transitional year to 30 June 2004. All other results are for a 12 month period.

Note: Financial highlights to June 2006 were prepared under the previous NZ GAAP and not under NZ IFRS.
The Auditor General is the auditor of Palmerston North Airport Limited (the Company) and Group. The Auditor General has appointed me, Mark Maloney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Company and Group on her behalf.

We have audited:

- the financial statements of the Company and Group on pages 33 to 57, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company and group on pages 25 to 29.

**OPINION**

Financial statements and statement of service performance

In our opinion:

- the financial statements of the Company and Group on pages 33 to 57:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the Company and Group's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date; and

- the statement of service performance of the company and group on pages 25 to 29:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the Company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

**OTHER LEGAL REQUIREMENTS**

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

Our audit was completed on 21 August 2013. This is the date at which our opinion is expressed.

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

**BASIS OF OPINION**

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate.

We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

An audit also involves evaluating:

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS
The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

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

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


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

INDEPENDENCE
When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Company or any of its subsidiaries.

Mark Maloney
Audit New Zealand
On behalf of the Auditor General
Palmerston North, New Zealand
COMPANY DIRECTORY

For the Year Ended 30 June 2013

Directors
D N Walker (Chairman)
J E Nichols
O B Stock
J M K B Adlam
G F Gillespie

Management
DR Cusack (Chief Executive)
LMJ Macdonald - (Manager Business Services & Secretary to the Board)
RA Bodell (Facilities Manager)

Registered Office
Palmerston North Airport
Terminal Building
Airport Drive
Palmerston North

Phone:  +64 6 351 4415
Fax:  +64 6 355 2262
Email:  help@pnairport.co.nz
        www.pnairport.co.nz

Trading Bankers
Bank of New Zealand

Legal Advisor
Cooper Rapley

Auditors
Audit New Zealand
(on behalf of the Auditor - General)