Palmerston North Airport Limited

FLY PALMY

2015
Annual Report

Contents

Consumer Brand

In November 2014, Palmerston North Airport launched, Fly Palmy a consumer marketing brand. The personality and essence of Fly Palmy is about being approachable, friendly, personable, welcoming and professional. The Fly Palmy brushstrokes reflect our airport's role as a major gateway to and from our home regions Ruapehu in the North, through Rangitikei and Whanganui to the Manawatu, across the ranges to Tararua and Wairarapa and south to Horowhenua.

Since its launch Fly Palmy has been used across all consumer marketing activity to raise the awareness of Palmerston North Airport to our inbound, outbound and meet n greet market.

Our summer 2014/15 FLY PALMY campaign was a fun way to reach out to our target markets, from the terminal. Over 100 photos were taken and uploaded onto our facebook page, with people standing behind I FLY PALMY, WE FLY PALMY, THEY FLY PALMY. One lucky Air New Zealand passenger flying Palmy, also won return flights for two to LA as part of our launch.

Joint Report

The Chairman and Chief Executive's joint report for the year ended 30 June 2015

Overview

Palmerston North Airport plays a critical strategic role as the gateway to central New Zealand facilitating air traffic flows from and to the Manawatu, Ruapehu, Rangitikei, Whanganui, Tararua, Horowhenua and Wairarapa regions.

Palmerston North Airport Limited in undertaking this gateway role is guided by its vision to grow shareholder and regional economic value through the operation of a safe, efficient, attractive and profitable airport serving the central region.

The directors and management team are pleased to present the 2014/15 Annual Report which reports on PNAL's results and progress over the last year in meeting strategic and business objectives.

From a financial perspective, a surplus after tax of $0.66 million was achieved, a 21.56% increase on the previous financial year, and 22.43% ahead of PNAL's Statement of Intent target for financial year 2014/15.

The Company launched its "Fly Palmy" brand during the financial year with the branding now playing a major role in our Visitor Development activities.

Passenger volumes increased by 2.5% versus the prior year to 466,557* and this was driven primarily by seat capacity increases on Palmerston North – Auckland and Palmerston North – Christchurch routes. The discontinuation of Air New Zealand non-stop Palmerston North – Nelson services in April was a disappointment; however Originair's decision to operate the route from August 2015 is welcomed.

The recent announcement by Jetstar that Palmerston North has been selected as one of four regional ports to be served by Jetstar turboprop aircraft is welcomed. Sustainable competition on regional routes will stimulate growth in air travel and have positive spin-offs for regional New Zealand.

Major capital investments undertaken during the year included the second stage of the three year runway overlay programme.

The Company continues to pursue development of its property holdings. A commercial development plan for landside landholdings has been completed. The first development has been consented and construction is expected to commence in September 2015.

Financial

Surplus after tax was $0.66 million a 21.56% increase on the previous financial year, and 22.43% ahead of PNAL's Statement of Intent target for financial year 2014/15.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $2.06 million and is 12% above the previous financial year and 9% above the Statement of Intent.

Revenue of $4.9 million increased 2.6% on the previous financial year, but was slightly down compared to the Statement of Intent.

Aeronautical revenue of $2.6 million was an increase of 1% versus the previous financial year.

Non-aeronautical revenue of $2.3 million increased 4% versus the previous financial year. Non-aeronautical revenue now represents 47% of total revenue and consists of concessionaire's payments, advertising, property and land rental and car parking.

This year's non-aeronautical revenue performance was again driven primarily by stronger than projected patronage of the airport car park.

Costs of $4 million were in line with the previous financial year and 4.5% below the Statement of Intent.

Operating expenses were 3.% below the previous financial year and 6% below the Statement of Intent. Savings in employee related expenses was the primary driver of the positive variance.

The Company has undertaken its triennial revaluation of assets. The valuation of land and buildings has increased by $4.5 million. The Company has also for the first time undertaken a depreciated replacement cost (DRC) valuation of its aeronautical infrastructure assets. This was undertaken by engineering consultants AECOM and resulted in an increase in the carrying value of these assets of $12.22 million. DRC valuation methodology is well established in infrastructure businesses and is an accepted means of asset valuation for setting prices for aeronautical services. Total asset revaluation gains were $16.7 million, offset by an increase in deferred tax liability of $3.7 million.

PNAL's balance sheet remains strong with shareholder's equity increasing to $49.3 million as a result of the year's profit and the revaluation gains.

All banking covenants have been met during the financial year.

Net cash flow from operating activities was $1.58 million.

Capital expenditure of $1.05 million was incurred during the financial year with the majority relating to Stage Two of the runway overlay project. Capital expenditure was 27% below the Statement of Intent target, primarily due to the deferral until next financial year of the re-build of the Rescue Fire building.

A dividend of 2.88 cents per share will be made for the financial year ended 30 June 2015.

*Historically Airways New Zealand have provided passenger on board information to Palmerston North Airport Limited for billing purposes. During 2014/15 there was a change of methodology and the data is now supplied directly by Air New Zealand to Palmerston North Airport Limited. A subsequent audit of the two data sources has indicated 2013/14 passenger on board data may have been overstated due to the inclusion of non-revenue passengers. The comparative Air New Zealand figure for 2013/14 was 455,166.

Aeronautical

Capacity growth on scheduled services was primarily driven by additional services being offered on Palmerston North–Auckland and Palmerston North–Christchurch routes.

However increased passenger volumes were experienced across all routes operated from Palmerston North and reflects the additional capacity, a buoyant local economy and ongoing efforts by the PNAL team in air service and visitor development.

PNALs Visitor Development Strategy continues to focus on the development of inbound & outbound demand to & from the central region via the Palmerston North Airport Gateway.

A highlight for the year was the launch of our “Fly Palmy” consumer brand. Fly Palmy represents convenience, connectivity, regional loyalty and personality. It reflects our airport’s role as a major gateway to and from our home regions; the brush-strokes point to and are drawn from our regions - Ruapehu in the North, through Rangitikei and Whanganui to the Manawatu, across the ranges to Tararua, the Wairarapa and south to Horowhenua.

The brands objective is to build awareness amongst inbound & outbound travellers alike on the convenience of using Palmerston North Airport as the gateway to the central region.

PNAL continues to work with regional tourism partners, wholesalers and Air New Zealand in the development of inbound & outbound product. Recently PNAL under the Fly Palmy brand teamed up with Destination Wairarapa in promoting winter inbound packages to the Wairarapa featuring Palmerston North as the gateway of choice. Other Fly Palmy promotions have targeted the Horowhenua and Whanganui markets.

Commercial

PNAL continues to identify and target growth opportunities in both aeronautical and non-aeronautical activities.

Property development remains a core strategic focus for the Board and Management team. A commercial development plan was developed during the year and has provided further clarity on the future direction of PNAL’s property development including the identification of airport zones with associated land use options, and development prioritisation. The development of aeronautical support services located at Palmerston North Airport remains a strategic priority. This includes pilot and aviation technical training and engineering support services.

Palmerston North Airport’s 24 hour seven day operating capability combined with our geographic location provides a comparative advantage for the further development of airfreight and associated support operations. Already a strategic base for Freightways and NZ Post, PNAL continues to actively pursue opportunities to grow the airfreight/logistics footprint at Palmerston North Airport.

The development of non-aeronautical business is also a strategic priority for the PNAL team. The Airport Masterplan has assisted PNAL in identifying zones which may be developed for non-aeronautical activities for which proximity to the airport and the associated business activity may be advantageous.

A number of initiatives are on-going as part of PNAL’s strategy to improve the airport experience for travellers and other airport users.

Car park patronage has grown in the past year due to a combination of increasing passenger volumes and the public’s acceptance of the new car park system which includes 24/7 car park access, automated pay stations, and the introduction of a prepaid frequent car park user product.

Due to growing passenger volumes additional car park spaces are to be made available within the secured car park, together with the introduction of a dedicated entrance to this car park.

Further car park enhancements are being evaluated to improve the overall experience for both travellers and other airport users.

Infrastructure / Airport Operations

This year’s airside improvements have again been substantial with stage two of runway resurfacing programme successfully completed during the February-March period.

To minimise the impact on 24/7 airport operations the project has been staged over three financial years. Stage Three is planned for early 2016. At the completion of this project it is envisaged that the runway surface will have a life of 20 years before further major resurfacing will be required.

All Part 139 and other statutory requirements relating to the airport and its operations were met during the financial year. These were supported by continuing monthly internal audits and quality control checks undertaken by an independent body.

PNAL continues to maintain a strong focus on health, safety and environment issues. We work 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.

Our People

Andrew Ross was appointed Manager Commercial and Finance commencing January 2015.

Our small team continues to operate effectively in providing an excellent regional airport and high levels of service to our airline customers and the travellers.

The Future Outlook

Our strategic priorities will remain focussed on the further sustainable growth of domestic air services and connectivity to international services via New Zealand’s international gateway airports, primarily Auckland. In turn this will require an on-going focus on the growth of inbound and outbound passenger volumes.

PNAL’s visitor development priorities will continue to focus on the development of relationships with airline operators, tourism and business partners, on the promotion of our wider region as an inbound destination, and the ease of use of Palmerston North Airport for locally based outbound travellers.

Nelson-based Originair launched non-stop Palmerston North–Nelson services in August 2015. The route proved popular when operated by Air New Zealand and we look forward to re-connecting the Nelson/Tasman region with Palmerston North Airport the gateway to the lower and central North Island.

Jetstar will launch Palmerston north – Auckland services in February 2016. We look forward to working closely with Jetstar to sustainably grow passenger volumes using our gateway airport. Increased capacity to Auckland will facilitate more domestic travel and also provide connectivity to the international network of Quantas Group and its partner airlines.

Sustainable competition on regional routes will stimulate growth in air travel and have positive spin-offs for regional New Zealand. We believe that the size of the region, together with Palmerston North airport’s 24/7 availability and available airport infrastructure makes our airport an attractive proposition as a Jetstar regional port.

A staged program of development for strategic land holdings will continue to be advanced. PNAL will continue to work with existing airport customers on their future growth plans and land requirements, and also identify new customers and land development opportunities.

Derek Walker
Chairman

David Lanham
Chief Executive

90min Drive Market

Palmerston North Airport is the regional gateway for seven regions, including Horowhenua, Manawatu, Palmerston North, Rangitikei, Wanganui, Tararua, Ruapehu and more recently a new regional partner Wairarapa. Over 360,000 people live within a 90 minute drive of Palmerston North Airport. The airport has been engaging with our regional neighbours via social media, radio and print to encourage locals to consider flying Palmy on the regional network and connecting with the rest of the world, ex Auckland International Airport. Start Near, Go Far! Fly Palmy.

Corporate Report

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 14 to 17

	2015 Actual	*2015 SOI*	*2014 Actual*
Performance			
Revenue	4,942,760	4,956,000	4,818,407
EBITDA	2,064,206	1,893,000	1,846,945
Net Profit after tax	662,348	541,000	544,861
Passengers*	466,557	485,000	484,890
Financial Position			
Cash and Cash Equivalents	163,113	284,720	486,407
Current Assets	518,475	642,358	886,915
Property, Plant & Equipment	61,012,395	44,083,369	44,044,501
Shareholder Funds	49,304,587	36,186,909	35,823,396

Company's Affairs

The Directors regard the state of the Company's affairs to be satisfactory. Details of the year under review are included in the joint Chairman's and Chief Executive's Report and the statutory accounts of the Company published herewith.

Directors

Reappointments
During the year the following Directors were reappointed to the board
J Adlam, J Nichols and G Gillespie

Retirements at 2015 AGM
The following Director will retire during the next financial year.
O Stock 29 September 2015

*Historically Airways New Zealand have provided passenger on board information to Palmerston North Airport Limited for billing purposes. During 2014/15 there was a change of methodology and the data is now supplied directly by Air New Zealand to Palmerston North Airport Limited. A subsequent audit of the two data sources has indicated 2013/14 passenger on board data may have been overstated due to the inclusion of non-revenue passengers. The comparative Air New Zealand figure for 2013/14 was 455,166.

Directors' remuneration

The amount of $76,500 per annum in 2015 and $76,500 per annum in 2014 was paid, or due and payable, to members of the Board as authorised by the shareholder as follows:-

	Gross Amount 2015	*Gross Amount 2014*
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	13,388
Adlam J	13,388	13,388
	76,500	**76,500**

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

Directors' indemnity and insurance

The Company is responsible for the payment of the Directors' indemnity insurance premiums.

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.

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 2015, Directors declared interest in the following entities:

466,557

Passengers

61m

Property Plant & Equipment Value ($)

4.9m

Revenue for 2015 year ($)

662.3

Net Profit after tax (Thousand)

Interest	*Nature of Interest*	*Relationship to PNAL*
Mr. O B Stock		
Director & Shareholder	Steel Pencil Holdings Limited	None
Shareholder	Steel Pencil IPD Limited	None
Director	Steel Pencil Philippines Limited	None
Director	Aorangi Hospital Limited	None
Director	Steel Pencil New Zealand Limited	None
Director	Steel Pencil Proprietary Limited	None
Director	Quite Useful Limited	None
Director	Vision Manawatu (ceased 17 June 2015)	None
Mr. D N Walker		
Director	Elmira Consulting Limited	None
Shareholder	Elmira Consulting Limited	None
Director	Third Bearing Limited	None
Shareholder	Third Bearing Limited	None
Director	TBL Investments Limited	None
Shareholder	TBL Investments Limited	None
Consultant	Palmerston North City Council	Shareholder & Supplier
Director	The BCC Limited & Subsidiaries	None
Director	NZ Wind Farms Limited & Subsidiaries	None
Director	Speirs Group Limited & Subsidiaries	Customer
Director	Wilson Cook Limited	None
Trustee	Wildbase Recovery Centre Trust	None
Mr. G F Gillespie		
Director	Tui Products	None
Director & Shareholder	Max Fashions	None
Mr. J Nichols		
Director	Port of Napier Limited	None
Director	Centralines Limited	None
Director	Nichols Consulting Limited	None
Director	Hastings District Council Audit Subcommittee	None
Ms. J Adlam		
Trustee	The Sustainability Trust	None
Board Member	Tautoko Services	None
Coach	The Ice House	None
Coach	Business Changing	None
Chair	Brava Limited	None
Advisory Board	Rosa Foods	None
Director	Mojo Coffee Limited (ceased 31 October 2014)	None

All Directors are indemnified under the Directors and Officers Liability Insurance Policy.

Details of transactions made during the year are given in note 21 of the Notes to the Financial Statements.

Remuneration of employees

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

	2015	*2014*
$160,000 - $170,000	0	1
$190,000 - $200,000	1	0

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 $28,500 (GST exclusive) for the 2015 annual audit is reflected in the financial statements as due and payable and includes $1,500 for FreightGate. This includes estimated disbursements of $1000.

49.3m

Shareholder Funds ($)

100%

Ownership - Palmerston North City Council

Regional Collaboration - Fly Palmy and discover Wairarapa cool this winter

Winter 2015 saw Palmerston North Airport, partner with Air New Zealand and local Regional Tourism Organisation, Destination Wairarapa, to inspire New Zealanders to Fly Palmy and enjoy a winter gateway in Wairarapa.

The Wairarapa Winter Cool campaign ran for 8 weeks with over 3,500 people entering the competition. Fly Palmy connected with over 12,000 facebook followers and 15,000 Destination Wairarapa contacts. The major prize included return Air New Zealand flights for two ex Auckland to Palmy and a Wairarapa winter experience. A great example of Fly Palmy, collaborating with an airline and RTO to build awareness across our key markets.

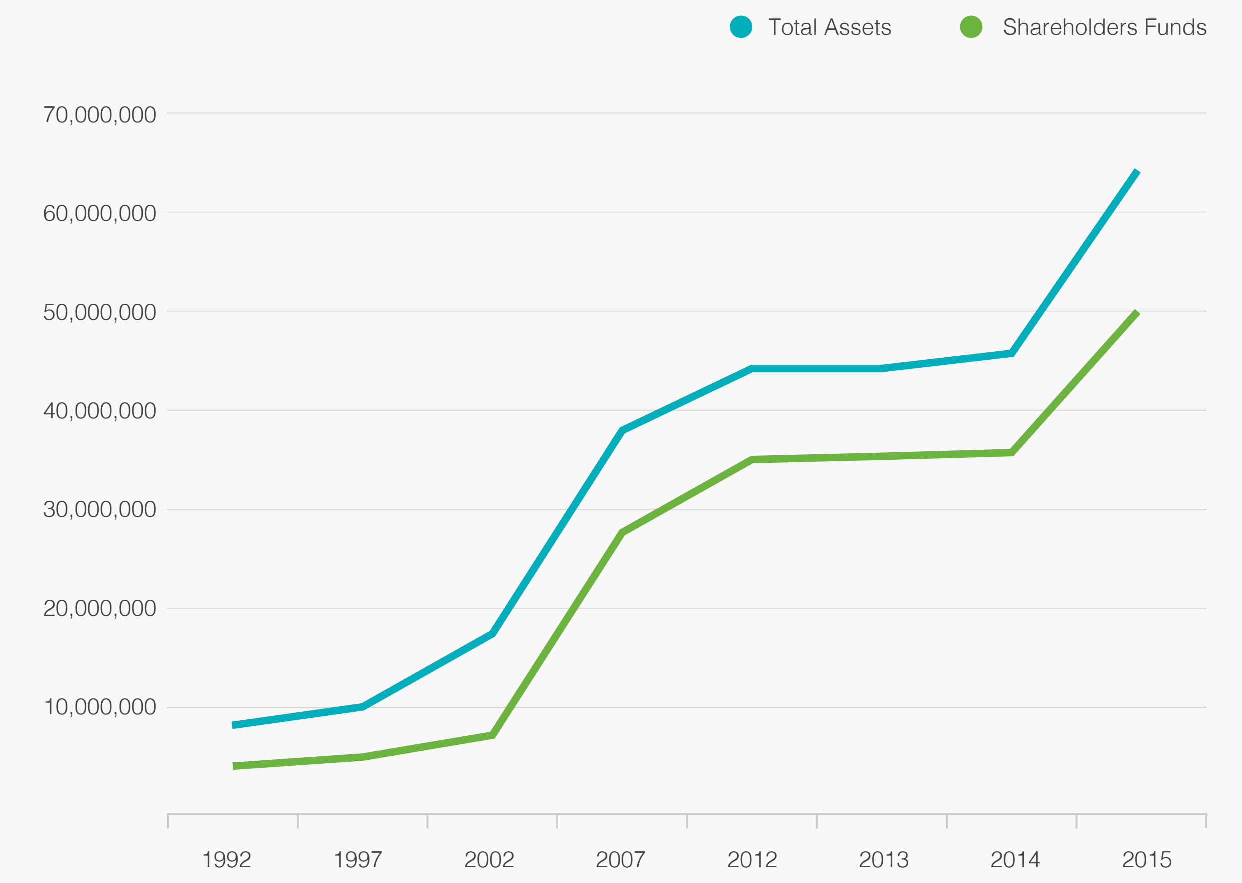
Service Performance

For the Year Ended 30 June 2015

- The Company's Statement of Intent, against which performance is judged, is dated May 2014.
- The Company is trading as Palmerston North Airport Limited.
- The Company has an interest in FreightGate Limited, a wholly owned subsidiary company which was formed in October 2001. This is in the process of being wound up and was formally dissolved on the 11th of August 2015.
- 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.

Vision statements 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.

Vision statement 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.

Vision statement 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.

Vision statement 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.

Vision statement 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.

Below is a graph of how we have grown over the years in five-year intervals.

Performance Measures

For the Year Ended 30 June 2015

	30 June 2015 Actual	*30 June 2015 SOI*	*30 June 2014 Actual*
Ratio of net surplus before interest/tax/revaluations to Total Assets	2.10%	2.5%	2.53%
Ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	1.34%	1.5%	1.50%
Interest cover ratio of net surplus before Interest tax and depreciation to Interest, at or above :	3.37	>2.5	2.97
Maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above $35m	$49.3m	> $35m	$35.8m
Maintain Civil Aviation Rule part 139 certification and have no adverse findings from annual audit *Civil Aviation rule part 139 certification was maintained and there were no adverse findings			
Maintain a level of customer satisfaction of 90% and biannually measure this by customer survey * 98% are either "Quite satisfied" or "very satisfied" - Customer Satisfaction Survey November 2013	98%	90%	98%
Total Passenger Throughput	466,557	485,000	484,890

*Historically Airways New Zealand have provided passenger on board information to Palmerston North Airport Limited for billing purposes.

During 2014/15 there was a change in methodology and this data is now supplied directly by Air New Zealand Limited to Palmerston North Airport Limited. A subsequent audit of the two data sources has indicated that 2013/14 passenger on board data may have been overstated due to the inclusion of non-revenue passengers. The comparative Air New Zealand Limited figure for 2013/14 was 455,166.

Explanation of Variance to budget and Last year's results *2015 SOI targets specified did not anticipate revaluation

*Ratio of net surplus after tax to consolidated shareholders	1.64%	1.5%	1.50%

Funds inclusive of revaluation reserve prior to 30th June 2015 valuation of airside infrastructure.

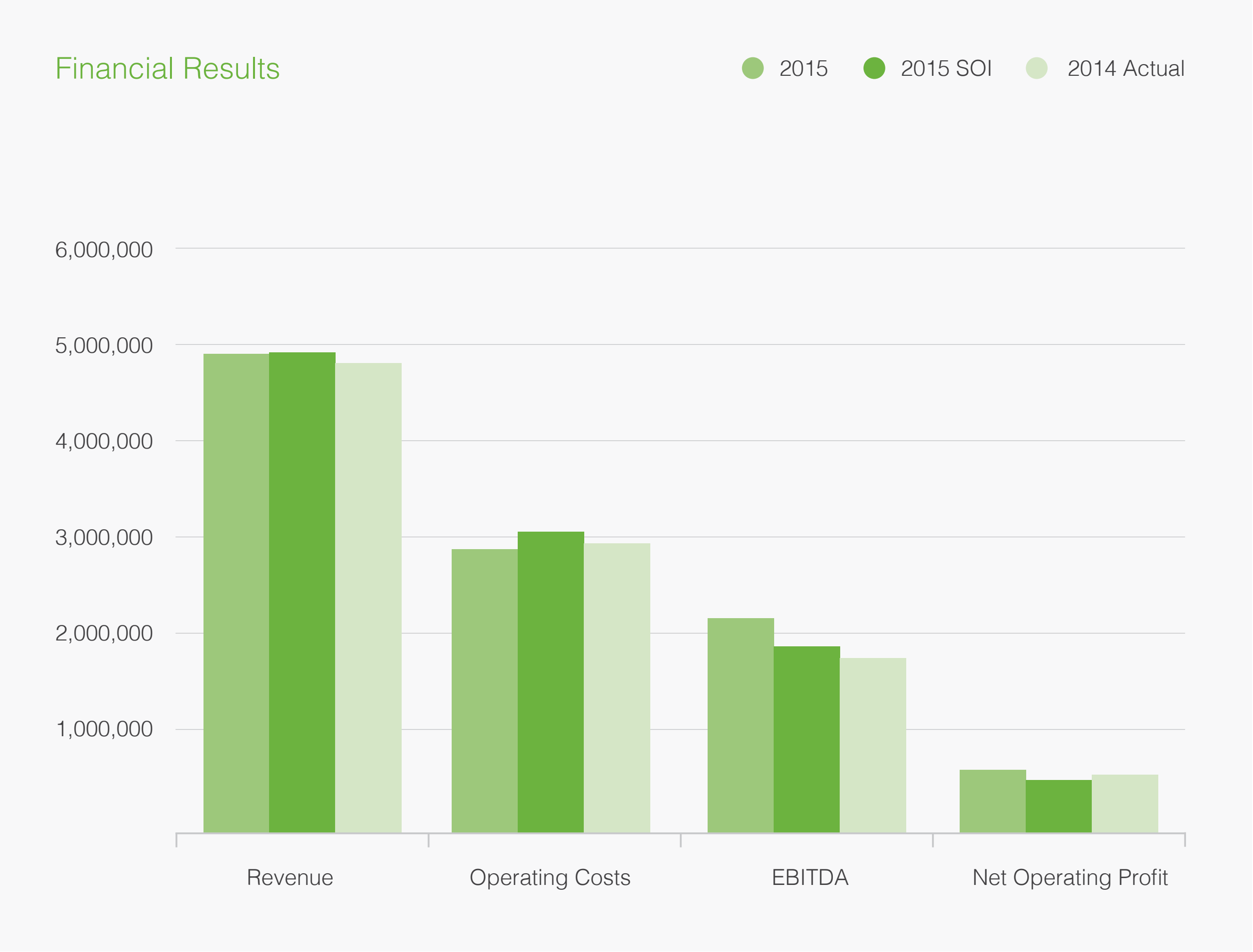
98%
Customer Satisdaction

466,557
Total Passenger Throughput

3.37
Interest Cover Ratio

49.3m
Tangible Net Worth

2.10%
Ration of Net Surplus before tax



Financial Statements

Statement of Comprehensive Revenue and Expense - Parent & Consolidated

For the Year Ended 30 June 2015

	Note	30-Jun-15 Actual $	30-Jun-15 SOI $	30-Jun-14 Actual $
REVENUE	4	4,942,760	4,956,000	4,818,407
OPERATING EXPENSES				
Operations and Maintenance:				
Airfield Services		425,503	440,000	476,503
Other Operating Expenses	5	1,108,737	1,156,000	1,178,860
TOTAL OPERATIONS AND MAINTENANCE		**1,534,240**	**1,596,000**	**1,655,363**
Administration:				
Audit Fees	6	28,500	28,500	28,000
Loss on Sale of Assets		-	-	2,069
Bad Debts Written Off		123	5,000	10,602
Changes in Doubtful Debt Provision		30,317	12,000	-
Directors' Fees		76,500	78,000	76,500
Employee Expenses	7	648,859	868,500	657,479
General Administration		560,015	475,000	541,449
TOTAL ADMINISTRATION:		**1,344,314**	**1,467,000**	**1,316,099**
TOTAL OPERATING EXPENSES		**2,878,554**	**3,063,000**	**2,971,462**
Operating Surplus Before Interest, Taxation, Depreciation & Amortisation:		2,064,206	1,893,000	1,846,945
Finance Costs, Depreciation & Amortisation				
Finance Costs	8	383,955	390,500	382,930
Depreciation & Amortisation	16/17	769,048	766,500	708,092
TOTAL FINANCE COSTS, DEPRECIATION		**1,153,003**	**1,157,000**	**1,091,022**
Operating Surplus Before Taxation		911,203	736,000	755,923
Taxation Expense on Operating Surplus	9	248,855	195,000	211,062
NET SURPLUS AFTER TAXATION attributable to PNCC		**662,348**	**541,000**	**544,861**

For and on behalf of the Board

Derek Walker
Chairman

Gerard Gillespie
Director

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements. Explanations of major variances against budget are provided in note 24

Statement of Comprehensive Revenue and Expense - Parent & Consolidated

For the Year Ended 30 June 2015

	Note	30-Jun-15 Actual $	30-Jun-15 SOI $	30-Jun-14 Actual $
NET SURPLUS AFTER TAXATION attributable to PNCC		**662,348**	**541,000**	**544,861**
Other Comprehensive revenue and expense				
Gains (losses) on property, plant and equipment revaluations	19(d)	16,720,223	-	-
Movement in Deferred Tax at Revaluation	18 &19(d)	(3,683,463)	-	-
Total Comprehensive revenue and expense attributable to PNCC		**13,699,108**	**541,000**	**544,861**

Statement Of Changes In Equity - Parent & Consolidated

For the Year Ended 30 June 2015

	Note	30-Jun-15 Actual $	30-Jun-15 SOI $	30-Jun-14 Actual $
EQUITY AT THE BEGINNING OF THE YEAR		**35,823,396**	**35,838,714**	**35,475,288**
Total Comprehensive revenue and expense for the year		13,699,108	541,000	544,861
Distribution to Shareholder During the Year		(217,921)	(192,805)	(196,753)
EQUITY AT THE END OF THE YEAR attributable to PNCC		**49,304,587**	**36,186,909**	**35,823,396**

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements. Explanations of major variances against budget are provided in note 24

Statement of Financial Position - Parent & Consolidated

As at 30 June 2015

	Note	30-Jun-15 Actual $	30-Jun-15 SOI $	30-Jun-14 Actual $
CURRENT ASSETS				
Cash and Cash Equivalents	10	163,113	284,720	486,407
Trade Accounts Receivable	11	347,583	325,548	357,652
Inventory	12	70	-	63
Sundry Receivables and Prepayments		7,709	32,090	42,793
TOTAL CURRENT ASSETS		**518,475**	**642,358**	**886,915**
Less: CURRENT LIABILITIES				
Revenue in Advance	13	65,177	90,000	70,218
Trade Accounts Payable	13	362,269	162,701	300,015
Other Creditors	13	218,892	156,000	163,376
Employee Benefit Liabilities	14	40,083	54,000	14,308
Current Portion of Borrowings	15	-	-	27,376
TOTAL CURRENT LIABILITIES		**686,421**	**462,701**	**575,293**
WORKING CAPITAL		**(167,945)**	**179,657**	**311,622**
Add: NON CURRENT ASSETS				
Property, Plant & Equipment	16	61,012,395	44,066,157	44,026,791
Intangible Assets	17	11,655	17,212	17,710
TOTAL NON CURRENT ASSETS		**61,024,050**	**44,083,369**	**44,044,501**
Less: NON CURRENT LIABILITIES				
Deferred Tax Liability	18	6,501,518	2,876,117	2,832,727
Borrowings	15	5,050,000	5,200,000	5,700,000
TOTAL NON CURRENT LIABILITIES		**11,551,518**	**8,076,117**	**8,532,727**
NET ASSETS		**49,304,587**	**36,186,909**	**35,823,396**
Represented by:				
SHAREHOLDER'S EQUITY				
Paid in Capital	19(a)	9,380,400	9,380,400	9,380,400
Retained Earnings	19(b)	16,754,210	16,673,295	16,309,782
Asset Revaluation Reserve	19(d)	23,169,977	10,133,214	10,133,214
TOTAL SHAREHOLDER'S EQUITY		**49,304,587**	**36,186,909**	**35,823,396**

For and on behalf of the Board

Derek Walker
Chairman

Gerard Gillespie
Director

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements. Explanations of major variances against budget are provided in note 24

Statement of Cash Flow - Parent & Consolidated

For the Year Ended 30 June 2015

	Note	30-Jun-15 Actual $	30-Jun-15 SOI $	30-Jun-14 Actual $
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		4,828,429	4,952,966	4,568,655
Interest Received		12,907	5,436	5,262
Tax Refund		78,776	-	206,257
		4,920,112	**4,958,402**	**4,780,174**
Cash was disbursed to:				
Payment to Suppliers and Employees		2,595,892	3,046,497	2,706,287
Tax Loss Payment to PN City Council		211,836	195,000	204,076
Payment of Income Tax		150,458	-	125,000
Interest Payments		383,955	390,646	384,966
		3,342,141	**3,632,143**	**3,420,329**
Net cash flows from operating activities		**1,577,971**	**1,326,259**	**1,359,845**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Property Plant and Equipment		-	1,000,000	-
Cash was applied to:				
Purchase of Property, Plant & Equipment		1,005,968	1,381,100	1,748,365
Net Cash Flow from Investing Activities		**(1,005,968)**	**(381,100)**	**(1,748,365)**
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Borrowing		-	-	1,000,000
Cash was applied to:				
Repayment of Borrowings		650,000	500,000	300,000
Payment of Dividends	19(c)	217,921	220,175	196,753
Net Cash from Financing Activities		**(867,921)**	**(720,175)**	**503,247**
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		**(295,918)**	**224,984**	**114,727**
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the year		459,031	59,735	344,304
Cash, Cash Equivalents and Bank Overdrafts at the End of the Year	**10**	**163,113**	**284,720**	**459,031**

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements. Explanations of major variances against budget are provided in note 24

Notes to the Financial Statements

Statement of Accounting Policies for the Year ended 30 June 2015 (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 company has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the company and group are for the year ended 30 June 2015. The financial statements were authorised for issue on 14/9/2015.

2. Basis Of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Airport Authorities Amendment Act 2000, the Local Government Act 2002, Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 the Companies Act 1993, and the Financial Reporting Act 2013. This includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

The entity is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the entity has no public accountability and has Expenses >$2m and ≤ $30m.

These financial statements comply with PBE standards. These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material changes arising on transition to the new PBE accounting standards are as follows:

Presentation of Financial Statements

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Revenue from exchange and non-exchange transactions:
In the financial statements of the previous financial year, revenue was presented as a single total in note 4 Operating Revenue. However, PBE IPSAS 1 requires revenue from non-exchange transactions and revenue from exchange transactions to be presented separately. As Palmerston North Airport does not receive any non-exchange transactions revenue it is unaffected by this requirement.

In the financial statements of the previous financial year income tax payable of $147,867 was presented separately. This year this has been reclassified under trade accounts payable note 13 as has income tax of $214,391 payable for the current year.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Palmerston North Airport Limited and its subsidiaries is New Zealand dollars.

3. Significant Accounting Policies

Measurement Basis

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, and infrastructure assets.

(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. The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis.

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.

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

(b) Revenue Measurement and Recognition

Revenue is measured at the fair value of consideration received or receivable.

Landing, departure, facility fees and car park revenue are recognised when the facilities are used.

Interest received is recognised as it accrues using the effective interest rate method.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished.

(c) Property Plant and Equipment

Property Plant and Equipment consists of:

Operational Assets

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

Infrastructure Assets

These assets are composed of Airside Infrastructure (runways, aprons, taxiways, and underground reticulated systems) and Landside infrastructure, (pavements, car parking and roading outside the secure areas of the airport).

Measurement

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses with the following exception:

- Land is measured at fair value
- Buildings and airside infrastructure are measured at fair value less accumulated depreciation.

Revaluations

Land, buildings and airside infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and are revalued at least every three years. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued.

Infrastructure assets

For the year ended 30th June 2015 a change in accounting policy was made to separate and revalue Airside Infrastructure as a separate class. This is to bring the airport into line with current practice of airports regularly revaluing airside infrastructure. This was previously carried at cost less accumulated depreciation. This is now valued at fair value, determined on a depreciated replacement cost basis by an independent registered valuer and will be carried out on a three-yearly cycle.

Accounting for Revaluations

Palmerston North Airport Limited accounts for revaluations on a class of assets basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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 surplus and deficit 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 surplus and deficit 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 that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Land Improvements	99 years
Roading & Car parks (Landside Infrastructure)	2 - 99 years
Buildings & Building services	8 - 99 years
Runway, Taxiways, Aprons (Airside Infrastructure)	2 - 80 years
Plant and Equipment	2 - 50 years
Furniture & Fittings	3 - 99 years
Computer Equipment	3 - 6 years
Motor Vehicles	5 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(d) Intangible Assets

Internally generated intangible assets

Costs 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 surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Website Development	4 years 25%

(e) Trade and Other Receivables

Accounts receivable are stated at face value less any provision for impairment.

(f) Impairment of property, plant, equipment and intangible assets

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the surplus and deficit account.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

(g) Inventories

Stock on hand has been valued at the lower of cost using the FIFO method and net realisable value.

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

(h) Cash, Cash Equivalents and Bank Overdrafts

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(i) Income Tax

Income tax expense includes components relating to both 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 tax rates (and tax laws) 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 is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly 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 statement of financial position.

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 benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

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 recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

The Company does not provide for long service or retirement leave entitlements.

Presentation of employee entitlements

Sick leave and annual leave are classified as a current liability.

Superannuation schemes

Obligations for contributions to Kiwi Saver are accounted for as defined contributions superannuation schemes and are recognised as an expense in the surplus and deficit account when incurred.

(l) Leases

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 on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

(m) Other Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company and group have transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit;
- loans and receivables;
- held-to-maturity investments; and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

The company has the following relevant category:

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.

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 surplus and deficit account.

(n) Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables

Impairment is established when there is evidence that the company and group will not be able to collect amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

(o) Statement of Cash Flows

Operating activities include cash received from all revenue 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.

(p) Borrowings and borrowing costs

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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

(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 comprehensive revenue and expense, 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.

Note 16 provides information about the estimates and assumptions applied in determining the fair value of Land, buildings and airside infrastructural assets.

(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 that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as a finance cost.

Payables

Short-term creditors and other payables are recorded at their face value.

(s) Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Retained Earnings;
- Asset revaluation reserve;
- Paid in Capital;

Asset revaluation reserves
This reserve relates to the revaluation of land, buildings and Airside Infrastructure to fair value.

(t) Critical judgements in applying accounting policies

Classification of property

The Company owns a number of properties as a land bank to cover possible future expansion of the runway and safety areas. The receipt of market-based rental from these properties is incidental to this purpose. The properties are held for service delivery objectives as part of the Airport's overall operating strategy. The properties are therefore accounted for as property, plant, and equipment rather than investment property.

	2015 Actual	2014 Actual
4. Analysis Of Operating Revenue		
Landing, Departure & Facility Fees	**2,602,786**	2,565,891
Car Park, Rent and Advertising	**2,160,529**	2,086,675
Other	**166,538**	160,579
Interest	**12,907**	5,262
	4,942,760	**4,818,407**

	2015 Actual	2014 Actual
5. Other Operating Expenses		
Rates	**362,637**	351,937
Power and Insurance	**301,582**	330,790
Repairs and Maintenance	**444,518**	496,133
	1,108,737	**1,178,860**
6. Audit Fees		
Fees are for Audit of Financial Statements		
Palmerston North Airport Limited	**26,000**	25,500
Disbursements	**1,000**	1,000
Freight Gate Limited	**1,500**	1,500
	28,500	**28,000**

No other remuneration was paid or is payable to the auditor

	2015 Actual	2014 Actual
7. Employee Expenses		
Salaries and Wages	**613,780**	652,007
Employer Contribution to Kiwi Saver	**15,336**	14,292
Movement in Employee Entitlements	**19,743**	(8,820)
	648,859	**657,479**
8. Finance Costs		
Interest on Secured Long Term Loans	**383,955**	382,930
	383,955	**382,930**
9. Taxation		
Operating Surplus (Deficit) Before Taxation	**911,203**	755,923
Tax there on at 28% (2014:28%)	**255,137**	211,658
plus (less) tax effect of:		
- permanent differences/non-deductible expenditure		
- prior year under/(over) provision	**(12,814)**	24,964
- deferred tax adjustment for the year	**6,532**	(25,560)
Tax charge for the year	**248,855**	211,062
Tax expense for the year comprising:		
Current Tax	**290,232**	229,488
Prior year adjustments	**(12,814)**	24,964
Deferred Tax from Current Year Activity	**(28,563)**	(43,390)
	248,855	**211,062**

During the year the company received an additional $211,836 tax benefit as a result of the Palmerston North City Council tax losses being offset against the company's tax liability (2014: $206,600). The tax refunds received were paid to the Palmerston North City Council.

	2015 Actual	2014 Actual

10. Cash & Cash Equivalents

Current Account	**152,105**	-
Cash on hand	**3,151**	3,545
Short Term Investment Account	**7,857**	482,862
Total	**163,113**	**486,407**

Cash & cash equivalents and overdrafts include the following for the purposes of the Statement of Cash Flow:

Current Account	**152,105**	-
Cash on hand	**3,151**	3,545
Short Term Investment Account	**7,857**	482,862
Bank Overdraft (note 15)	**-**	-27,376
Total	**163,113**	**459,031**

11. Trade Accounts And Other Receivables

Receivables from exchange transactions		
Debtors and Other Receivables	**377,398**	357,652
Receivables from related party	**502**	-
Provision for impairment	**(30,317)**	-
	347,583	357,652
Receivables from non-exchange transactions	**-**	-
Total	**347,583**	**357,652**

Movements in the provision for impairment of receivables are as follows:

Balance at 1st of June	**-**	-
Additional Provisions	**(30,317)**	-
Provisions Reversed	**-**	-
Receivables Written Off	**-**	-
Total	**(30,317)**	**0**

Palmerston North Airport holds no collateral or other credit enhancements for financial instruments that give rise to credit risk, including those instruments that are overdue or impaired.

12. Inventory

Internet Cards	**70**	63
Total	**70**	**63**

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

Revenue in advance from exchange transactions		
Revenue in advance	**65,177**	70,218
	65,177	70,218
Revenue in advance from non-exchange transactions		
Revenue in advance	**-**	-
Total	**65,177**	**70,218**

	2015 Actual	2014 Actual

13. Trade Accounts Payable cont.

Other Creditors from exchange transactions		
Trade Accounts Payable	**145,575**	149,319
Payables to Related Party	**2,303**	2,829
Tax Payable	**214,391**	147,867
	362,269	300,015
Other creditors from exchange transactions		
Other creditors	**191,745**	131,163
Other creditors from non-exchange transactions		
GST payable	**27,147**	32,213
Total	**218,892**	**163,376**

14. Employee Benefit Liabilities

Accrued Pay	**4,164**	(1,865)
Annual Leave	**35,340**	15,713
Sick Leave	**577**	460
Total	**40,083**	**14,308**

15. Borrowings

Borrowings	**5,050,000**	5,700,000
Bank Overdraft	**-**	27,376
Total	**5,050,000**	**5,727,376**

Registered mortgage over property owned by the Company secure the $5.05 million borrowings from Bank of New Zealand. This includes existing perfected security interest in all present and after acquired property of Palmerston North Airport Limited. 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.

The company has an approved overdraft facility of $100,000.

The company raises long term borrowings predominantly at fixed rates under a Customised Average Rate Loan (CARL) facility. The Company's portfolio of debt is structured with a view to minimising interest rate risk and maximising certainty of the Company's debt servicing costs in the current financial year.

16. Property, Plant and Equipment

Balances 1 July 2014	*Land*	*Buildings*	*Airside infra-structure*	*Landside infra-structure*	*Total infra-structure*	*Plant & Equipment*	*Furniture & Fittings*	*Computer Equipment*	*Motor Vehicle*	*Total*
Cost / Valuation	21,351,000	11,237,321	9,338,607	6,885,837	16,224,444	2,115,194	523,040	129,827	9,778	51,590,605
Accumulated Depreciation	-	(456,924)	(3,769,253)	(1,794,281)	5,563,534	(1,120,726)	(302,521)	(110,329)	(9,778)	(7,563,811)
Carrying Amount	21,351,000	10,780,397	5,569,355	5,091,556	10,660,910	994,469	220,519	19,498	-	44,026,794
Movements for the year										
Additions	-	100,187	839,677	121,798	961,475	1,143	6,539	8,960	1,898	1,080,203
Disposals	-	-	-	(10,355)	(10,355)	(1,154)	-	-	-	(11,509)
Abandoned Projects	-	(23,665)	-	(18,026)	(18,026)	-	-	-	-	(41,691)
Revaluation	3,565,000	254,887	8,211,900	-	8,211,900	-	-	-	-	12,031,787
Reclassification	-	(19,920)	-	1,144	1,144	19,930	-	-	-	-
Disposals - Accumulated Dep.	-	-	-	216	216	-	-	-	-	216
Depreciation for the Year	-	(228,400)	(233,860)	(158,697)	(392,557)	(92,457)	(39,099)	(10,423)	(59)	(762,994)
Dep. Reversal on Revaluation	-	685,324	4,003,113	-	4,003,113	-	-	-	-	4,688,437
Closing Balances 30 June 2015										
Cost/Revaluation	24,916,000	11,548,810	18,390,184	6,980,397	25,370,582	2,135,113	529,579	138,787	11,676	64,650,548
Accumulated Dep.	-	0	(0)	(1,952,762)	(1,952,762)	(1,213,183)	(341,620)	(120,752)	(9,837)	(3,638,153)
Carrying Amount	**24,916,000**	**11,548,811**	**18,390,184**	**5,027,635**	**23,417,819**	**921,930**	**187,960**	**18,035**	**1,840**	**61,012,395**
Capital work in progress included at cost										
30-Jun-15	-	114,811	-	104,349	104,349	-	-	-	-	219,160

Balances 1 July 2013	*Land*	*Buildings*	*Airside infra-structure*	*Landside infra-structure*	*Total infra-structure*	*Plant & Equipment*	*Furniture & Fittings*	*Computer Equipment*	*Motor Vehicle*	*Total*
Cost / Valuation	21,351,000	11,199,914	8,174,396	6,777,970	14,952,366	1,732,896	521,621	124,176	9,778	49,891,751
Accumulated Depreciation	-	(222,902)	(3,572,045)	(1,641,396)	(5,213,441)	(1,068,129)	(263,702)	(99,151)	(9,778)	(6,877,103)
Carrying Amount	21,351,000	10,977,012	4,602,351	5,136,574	9,738,925	664,768	257,919	25,025	-	43,014,649
Movements for the year										
Additions	-	37,403	1,164,211	125,812	1,290,023	399,613	1,419	5,651	-	1,734,108
Disposals	-	-	-	(17,945)	(17,945)	(17,315)	-	-	-	(35,261)
Revaluation Write-down	-	-	-	-	-	-	-	-	-	-
Reclassification of Renovations	-	-	-	-	-	-	-	-	-	-
Disposals - Accumulated Dep.	-	-	-	-	-	14,655	-	-	-	14,654
Depreciation for the Year	-	(234,022)	(197,208)	(152,885)	(350,093)	(67,252)	(38,819)	(11,178)	-	(701,365)
Dep. Reversal on Revaluation	-	-	-	-	-	-	-	-	-	-
Closing Balances 30 June 2014										
Cost/Revaluation	21,351,000	11,237,321	9,338,607	6,885,837	16,224,444	2,115,194	523,040	129,827	9,778	51,590,604
Accumulated Dep.	-	(456,924)	(3,769,253)	(1,794,281)	(5,563,534)	(1,120,726)	(302,521)	(110,329)	(9,778)	(7,563,812)
Carrying Amount	21,351,000	10,780,397	5,569,355	5,091,556	10,660,910	994,469	220,519	19,498	0	44,026,793
Capital work in progress included at cost										
30-Jun-14	-	57,464	314,613	177,559	492,172	-	-	-	-	549,635

The comparatives differ from the 2014 annual report in that Airside infrastructure is now shown separately as this class is now carried at fair value.

Land, Buildings and Airside Infrastructure Fair Value

Land

Land is valued at fair value. The most recent valuation was performed by independent registered valuers Messrs. B D Mainwaring, ANZIV, SPINZ, and H G Thompson, ANZIV, SPINZ, of Blackmore & Associates. The valuation is effective as at 30 June 2015.

These assessments are undertaken on the basis of unencumbered fee simple property ownership. Land is assessed as being vacant but given surrounding improvements.

The value range is from $35,000 per hectare up to $50,000 per hectare (plus GST if any). The majority of evidence falls within the $35,000 to $45,000 per hectare range.

These rural sales provide best evidence for base assessment of specialist land (airside). They are all within a 10km radius of the airport, land contour is flat or near flat such as the airport, there is a reasonable volume and relatively consistent value range.

It is the valuer's opinion that applying rural land value is the initial value base. They then make positive adjustment for the fact the airport is an operating business and the asset value must reflect this "in use" situation.

Such factors include land aggregation, land configuration/earthworks and zoning compliance.

In a Market Value Alternative Use (MVAU) situation to the initial value base an additional allowance for land banking future sub divisional potential can be applied. This relates to likely use (excluding airport and associated activities) of a mix of residential, rural residential and commercial/industrial development.

Buildings

Specialised buildings and Airside infrastructure 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 2015 for land and Buildings.

Airside Infrastructure

Airside Infrastructure was revalued for the first time for the year ended 30 June 2015 by AECOM independent consultant engineers and valuers. Revaluations will continue to be undertaken at least three yearly, in line with the current revaluation cycle of the company.

Land is valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. The valuation of land is determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre is applied to the subject asset.

Reflecting the specialised nature of airport infrastructure assets, fair value is determined using depreciated replacement cost methodology, due to there not being an active market for such facilities. Depreciated replacement cost is determined as the replacement cost less the cost to bring an asset to current standards.

The methodology applied by the valuer is a financial simulation in lieu of a market based measurement as these assets cannot be bought and sold on the open market. A replacement cost is estimated by creating a cost plan (cost estimate) of the asset through the measurement of key quantities, then applying current market rates (as observed through our professional role as Estimator or Quantity Surveyor on other similar projects across New Zealand, with the rates adjusted to suit local market conditions.)

The key assumption on the replacement cost is that the estimate is based on replacing the current function of the asset with an asset of the same form (size and shape). This assumption has a significant impact if an asset function changes.

The "cost to bring to current standards" is the estimated cost of upgrading the asset to bring it to current standards and a new condition. This is a component for establishing the likely "exit price" of any transaction in the principal market for an asset of this type. For each of the five condition ratings, the estimate is based on professional opinion as well as having regard to historical project costs.

In assessing the cost to bring to current standard, a condition rating is applied based upon the following information:

- Visual inspection of the asset
- Asset condition data provided by PNAL
- Verbal guidance from the asset manager

The following condition ratings are linked to the cost to bring to current standards:

Category	*Condition*	*Comments*
1	Very good condition	Only normal maintenance required
2	Minor defects only	Minor maintenance required
3	Maintenance required to return to accepted level of service	Significant maintenance required (up to 50% of capital replacement cost)
4	Requires renewal	Complete renewal of the internal fit out and engineering services required (up to 70% of capital replacement cost)
5	Asset unserviceable	Complete asset replacement required

Estimates of remaining life are based on the assumption that the asset remains in its current function and will be maintained. No allowance has been provided for significant refurbishment works in the estimate of remaining life as any refurbishment should extend the life of the asset.

Airside Infrastructure assets have been valued on the basis that there is no residual value.

Impairment

There has been no impairment of Property, Plant and Equipment for the year ended 30th of June 2015.

Property Plant and Equipment pledged as security on borrowings

There is a general Debenture held by the BNZ of the company assets and undertaking of the airport. Additionally the BNZ also hold first mortgages on 296 and 320 Milson line, and RD 10 Railway road. The valuation for these properties as at 30th June 2015 is $31,945,000, (2014 – $27,875,000).

17. Intangible Assets

Balances 1 July 2014	*Web-Site Development*	*Total*
Cost / Valuation	26,419	26,419
Accumulated Depreciation	(8,709)	(8,709)
Carrying Amount	17,710	17,710
Movements for the year		
Additions	-	-
Disposals	-	-
Revaluation Writedown	-	-
Reclassification of Renovations	-	-
Disposals - Accumulated Dep.	-	-
Amortisation for the Year	(6,055)	(6,055)
Dep. Reversal on Revaluation	-	-
Closing Balances 30 June 2015		
Cost/Revaluation	26,419	26,419
Accumulated Dep.	(14,764)	(14,764)
Carrying Amount	11,655	11,655
Capital work in progress included at cost	-	-

Balances 1 July 2013	*Web-Site Development*	*Total*
Cost / Valuation	26,419	26,419
Accumulated Depreciation	(1,981)	(1,981)
Carrying Amount	24,438	24,438
Movements for the year		
Additions	-	-
Disposals	-	-
Revaluation Writedown	-	-
Reclassification of Renovations	-	-
Disposals - Accumulated Dep.	-	-
Amortisation for the Year	(6,728)	(6,728)
Dep. Reversal on Revaluation	-	-
Closing Balances 30 June 2014		
Cost/Revaluation	26,419	26,419
Accumulated Dep.	(8,709)	(8,709)
Carrying Amount	17,710	17,710
Capital work in progress included at cost	-	-

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

18. Deferred Tax (Assets)/Liabilities

	Property, plant and equipment	*Employee entitlements*	*Other provisions*	*Total*
Balance at 1 July 2014	2,837,182	(2,186)	(2,269)	2,832,727
Charged to Surplus and Deficit - Current Year	(342)	(7,990)	(6,339)	(14,671)
Charged to other comprehensive income	3,683,462	-	-	3,683,462
Balance at 30 June 2015	6,520,302	(10,176)	(8,608)	6,501,518
Balance at 1 July 2013	2,885,746	(9,629)	-	2,876,117
Charged to Surplus and Deficit - Current Year	(48,564)	7,443	(2,269)	(43,390)
Balance at 30 June 2014	2,837,182	(2,186)	(2,269)	2,832,727

19. Equity

	2015 Actual	*2014 Actual*
(a) Share Capital		
9,195,000 Ordinary Share Capital at 30 June	**9,380,400**	9,380,400
Closing Balance	**9,380,400**	**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.

(b) Retained Earnings:		
Opening Balance	**16,309,782**	15,961,674
Net Operating Surplus	**662,348**	544,861
Dividends Paid during year	**(217,921)**	(196,753)
Closing Balance	**16,754,209**	**16,309,782**

(c) Proposed Dividends:

Once the solvency test has been satisfied, the Directors will declare a fully imputed dividend of 2.88 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2015 representing $ 264,939 for the 12 months ending 30 June 2015, (a dividend of 2.37 cents per $1 paid up share capital representing $217,921 was declared for the 12 months ending 30 June 2014).

	Note	2015 Actual	2014 Actual
(d) Asset Revaluation Reserve:			
Opening Balance		**10,133,214**	10,133,214
Revaluation movement - Land	16	**3,565,000**	-
- Building	16	**940,210**	-
- Airside Infrastructure	16	**12,215,013**	-
Less Deferred Taxation			
Movement - Buildings	18	**(263,259)**	-
Movement - Airside Infrastructure	18	**(3,420,203)**	-
Closing Balance		**23,169,975**	**10,133,214**
Asset Revaluation Reserve Consists of			
- Land		**12,890,398**	9,325,398
- Building		**1,484,767**	807,816
- Airside Infrastructure		**8,794,810**	-
		23,169,975	**10,133,214**

20. Imputation Credit Account:

Imputation credits available for subsequent report periods are $1,858,467.10 (2014: $1,947,078)

No adjustment has been made for credits associated with tax payable due to uncertainties regarding tax loss transfers from entities in the group.

21. 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 2015 for $368,654 exclusive of GST none of which related to capital expenditure (2014: $342,642 exclusive of GST none of which related to capital expenditure). In addition a tax loss offset of $ 756,559 resulted in a tax refund of $211,836 for the 2013/14-tax year. The tax loss offset for 2012/13 was $728,842 and resulted in a $204,076 tax refund. The tax refunds were paid to PNCC.

The company pays a dividend to PNCC each year equating to 40% of after tax surplus. Once the solvency test has been satisfied The Directors will declare a fully imputed dividend of 2.88 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2015 representing $ 264,939 for the 12 months ending 30 June 2015, (a dividend of 2.37 cents per $1 paid up share capital representing $217,921 was declared and paid to PNCC for the 12 months ending 30 June 2014).

The company provided services to the Council during the 12 months ended 30 June 2015 for $2,126 exclusive of GST. (2014: $30,136)

Other than the tax loss, all transactions were conducted on normal commercial terms.

The Company owed Palmerston North City Council $2,303 inclusive of GST as at 30 June 2015, (the balance owing, as at 30 June 2014 was $2,460).

Palmerston North City Council owes the Company $502 inclusive of GST as at 30 June 2015, (the balance owing as at 30 June 2014 was $0).

Other Related Party Transactions - Details:

All transactions conducted with related parties have been under normal supplier/client relationship terms and at arm's length.

	2015	2014
Related Party Transaction		
Services provided to Ezibuy Limited.	**-**	1,317
Services provided to Steel Pencil New Zealand Limited	**125**	-
Services provided by Steel Pencil New Zealand Limited	**8500**	**-**

Relationship of these parties to the Company is shown in Directors interests section on page 10.

	2015 Actual	2014 Actual
Key Management Personnel - Remuneration		
Directors		
Remuneration	**76,500**	76,500
Full time Equivalents	**5**	5
Senior Management Team including the Chief Executive		
Remuneration	**478,159**	509,402
Full time Equivalents	**5**	5

Due to the difficulty in determining the full time equivalent for Directors the full time equivalent figure is taken as the number of directors. As there were changes in the composition of Key Management Personnel with positions filled by part time personnel the full time equivalents have been estimated on a proportional basis.

22. Commitments

Capital Commitments

The Company has no capital commitments as at 30 June 2015. Commitments at 30 June 2014 was nil.

Operating Commitments as Lessee

The Company leases computer and electronic equipment, lift infrastructure and a motor vehicle. The unexpired terms of leases as at 30th June 2015 range from 1 to 46 months.

	2015	2014
Less than 1 Year	**14,105**	27,968
Between 1 and 5 Years	**27,268**	8,771
Over 5 Years	**-**	-
Total	**41,375**	**36,739**

These commitments are GST exclusive.

Operating Commitments as Lessor

The Company lease land, buildings and advertising space in the normal course of its business. The majority of these leases have a no cancellable term of 36 months. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Less than 1 Year	**455,463**	529,440
Between 1 and 5 Years	**566,443**	706,680
Over 5 Years	**404,430**	483,044
Total	**1,426,336**	**1,719,164**

2015 & 2014 commitments have been calculated until the end of the current right of renewal, or end of the contract, whichever comes first. These commitments relate to property leases, advertising, and rental agency contracts and are GST exclusive.

There are other ongoing leases amounting to $341,075 per annum that are on a month to month base (2014: 281,892). There are no contingent rents recognized as revenue in the period.

23. Contingencies

The Company has one small contingency relating to the termination of an employee of approximately $2,000 to $4,000 (2014 0). It had no contingent assets as at 30 June 2015 and 2014.

24. Major variances explained

Account	Actual	Budget/SOI	Variance	Notes
(a) Variances to SOI				
Operating Revenue	4,942,760	4,956,000	(-13,240)	A small decrease in revenue overall made up by small increases in land and buildings rentals, interest, carpark receipts, rates and utility recoveries and taxi receipts. This is offset by small decreases in landing charges, advertising space, grazing and cropping and miscellaneous revenue.
Operating Expense	1,534,240	1,596,000	61,760	While rates were higher than budget the contract for power was renegotiated resulting in savings. Insurance also has decreased against budget as competition resumes in the market. Careful management of repairs and maintenance has also resulted in saving against budget.
Total Administration	1,344,314	1,467,000	122,686	Restructuring of the Corporate Office and operating with a vacancy for six months of the year contributed to the positive variance. Reduced employee costs were partially offset by increased consultancy costs around Plan changes, legal consultation and Air New Zealand pricing review.
Current Assets	518,475	642,358	(123,883)	Cash & Cash Equivalents held were lower as paying down of term debt was initiated. Prepayment of expenses was higher than budget.
Current Liabilities	686,421	462,701	(223,720)	Higher than budgeted trade creditors. Taxation higher as overall performance better than budget. Contract retentions higher than budget.
Property, Plant, Equipment & Intangible Assets	61,024,050	44,083,369	(16,940,681)	Revaluation occurred this year with Airside Infrastructure being revalued for the first time as part of Air NZ pricing review. CAPEX spend to budget for 2015 was higher than budget. Buildings were slightly down, Infrastructural expenditure was down while Plant and Equipment was up.
Term Borrowings	5,050,000	5,200,000	150,000	Lower level of term debt at the end of 2015 as endeavour to pay down debt commenced while reducing funds held in short term deposits
Dividends Paid	217,921	220,175	2,254	Lower payment due to Net Profit after Tax being below SOI.
Deferred Tax	6,501,518	2,876,117	3,625,401	As part of the Air New Zealand pricing review airside infrastructure was revalued for the first time and had a significant appreciation in value with the flow on effect to deferred tax.

25. Financial Instruments

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

	2015	2014
Financial Assets		
Loans and Receivables		
Cash and Cash Equivalents	**163,113**	486,407
Trade Receivables	**347,583**	357,652
Total Financial Assets	**510,696**	**844,059**
Financial Liabilities		
Financial Liabilities @ Amortised cost		
Trade Accounts and Other Payable	**366,770**	315,524
Borrowings - Secured Loans	**5,050,000**	5,727,376
Total Financial liabilities	**5,416,770**	**6,042,900**

26. Events After Balance Date

Jetstar have announced that they will be providing passenger services to Palmerston North. These services will commence on the 1st of February 2016.

Historical Financial Highlights

Year ending	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statement of Financial Performance	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Total Revenue	4,943	4,818	4,590	4,480	4,225	3,981	4,090	5,181	5,598	5,642
Net Surplus Before Interest, Depn, Taxation	2,064	1,847	1,765	1,739	1,821	1,674	1,888	2,864	3,259	3,167
Net Surplus Before Taxation & Misc items	911	756	709	684	748	501	658	1,611	2,020	1,902
Net Surplus After Taxation excluding deferred tax adj.	662	544	492	496	535	327	423	1,090	1,448	1,395
Earnings Per $ of Paid Up Share Capital (excl. any premium on issue and deferred tax adjustments)	7.20c	5.92c	5.35c	5.39c	5.82c	3.56c	4.61c	11.86c	20.21c	19.47c
Dividend Proposed or Paid Per $ of Paid Up Share Capital (excl. of any premium on issue)	2.88c	2.37c	2.14c	2.10c	2.30c	1.56c	1.80c	4.30c	7.00c	6.40c
Statement of Financial Position	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Total Assets	61,543	44,904	43,727	43,878	44,645	44,664	40,828	41,057	38,708	32,614
Shareholders' Funds	49,305	35,823	35,475	35,177	35,516	35,124	31,526	31,498	28,879	22,517
Share Capital paid up (excl. of any premium on issue)	9,195	9,195	9,195	9,195	9,195	9,195	9,195	9,195	7,165	7,165
Net Asset Backing Per Share	$5.36	$3.90	$3.86	$3.83	$3.86	$3.82	$3.43	$3.43	$3.14	$2.45
Return On Shareholder Funds (excl deferred tax adjustments	1.34%	1.52%	1.39%	1.41%	1.51%	0.93%	1.34%	3.46%	5.01%	6.20%

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of
Palmerston North Airport Limited group's
financial statements and performance information
for the year ended 30 June 2015

The Auditor General is the auditor of Palmerston North Airport Limited and its New Zealand domiciled subsidiaries. The Auditor General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the group, consisting of Palmerston North Airport Limited and its subsidiaries (collectively referred to as "the Group"), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 18 to 38, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, 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 performance information of the Group on pages 14 to 17.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2015; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended on 30 June 2015.

Our audit was completed on 14 September 2015. 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 the performance information 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 the performance information. 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 in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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 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 the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Standards with reduced disclosure requirements. The Board of Directors is also responsible for preparation of the performance information for the Group.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements and the performance information 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 the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

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

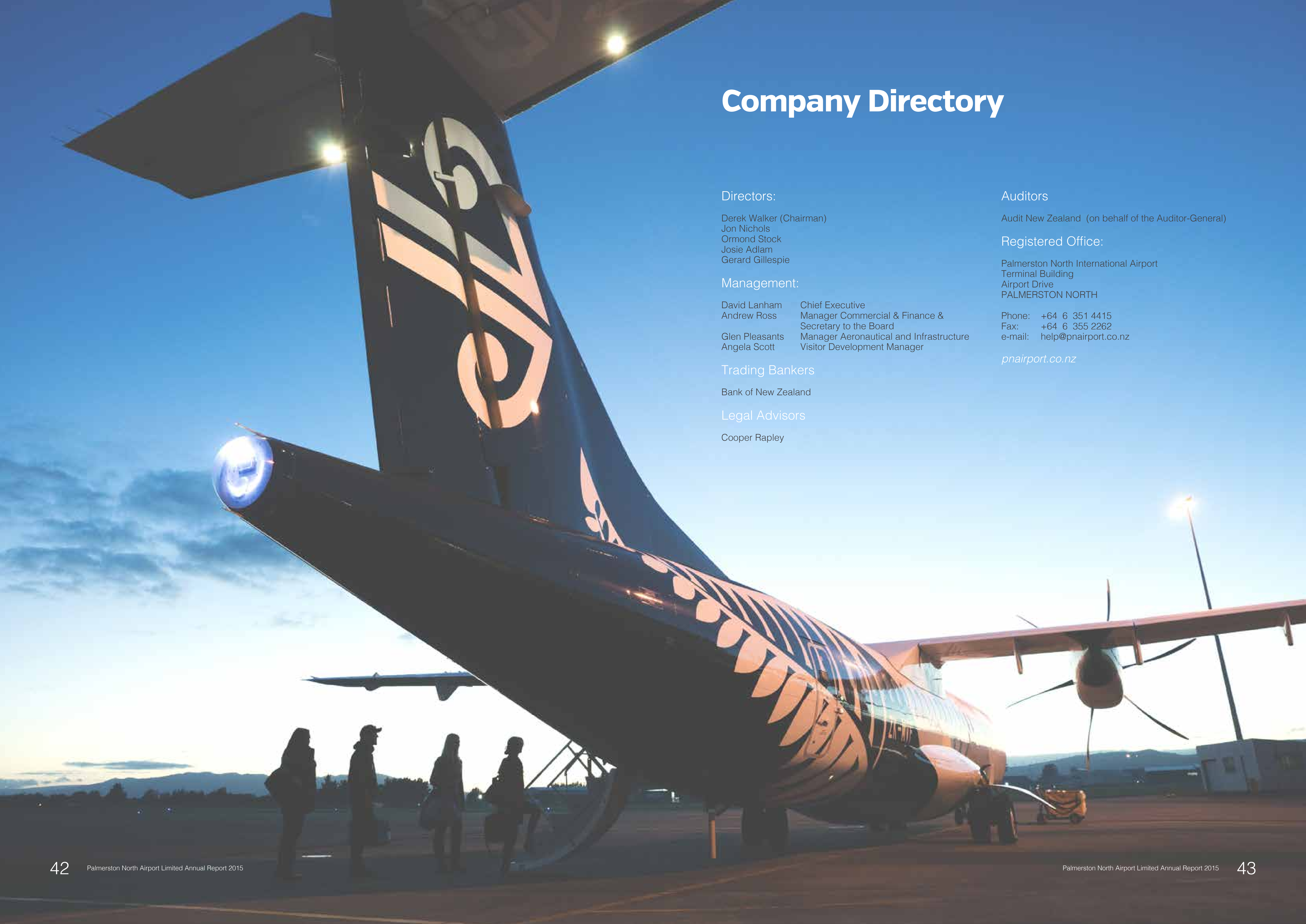
Independence

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 Group.

Debbie Perera

Audit New Zealand
On behalf of the Auditor General
Palmerston North, New Zealand



Company Directory

Directors:

Derek Walker (Chairman)
Jon Nichols
Ormond Stock
Josie Adlam
Gerard Gillespie

Management:

David Lanham	Chief Executive
Andrew Ross	Manager Commercial & Finance & Secretary to the Board
Glen Pleasants	Manager Aeronautical and Infrastructure
Angela Scott	Visitor Development Manager

Trading Bankers

Bank of New Zealand

Legal Advisors

Cooper Rapley

Auditors

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

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