

# **PALMERSTON NORTH AIRPORT LIMITED**

**INTERIM REPORT  
TO 31 DECEMBER 2014**

# COMPANY DIRECTORY

## PALMERSTON NORTH AIRPORT LIMITED

### **DIRECTORS:**

D N Walker (Chairman)

O B Stock

G F Gillespie

J E Nichols

J M K B Adlam

### **MANAGEMENT:**

D Lanham Chief Executive

A Ross Manager Commercial & Finance, & Secretary to the Board

G W Pleasants Manager Aeronautical & Infrastructure

### **REGISTERED OFFICE:**

Palmerston North Airport

Terminal Building

Airport Drive

PALMERSTON NORTH 4442

Phone: +64 6 351 4415

Fax: +64 6 355 2262

e-mail: [help@pnairport.co.nz](mailto:help@pnairport.co.nz)

Web: [www.pnairport.co.nz](http://www.pnairport.co.nz)

### **TRADING BANKERS:**

Bank of New Zealand

### **LEGAL ADVISOR:**

Cooper Rapley

### **AUDITORS:**

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

<b>CONTENTS:</b>	<b>PAGE:</b>
Joint Chairman & Chief Executive's Report	4 - 5
Statement of Service Performance	6
Performance Measures	7
Financial Statements	8 - 12
Notes to the Financial Statements	13 - 16

## **JOINT REPORT OF CHAIRMAN and CHIEF EXECUTIVE OFFICER FOR THE SIX MONTHS ENDING 31 DECEMBER 2014**

The first six months of the 2014/15 financial year has been a busy period for Palmerston North Airport Ltd (PNAL) with a range of projects completed or underway.

The Board and Management of PNAL continue to implement the Company's strategy. We continue to strive 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 Palmerston North Airport plays as a gateway to the wider region which stretches from Ruapehu in the North, through Wanganui and Rangitikei, Manawatu, south to Horowhenua and across the ranges to Tararua and Wairarapa. Our vision also reflects the need to work closely with a wide range of stakeholders both from a business and visitor perspective in identifying growth opportunities across the inbound, outbound and business sectors.

Revenue of \$2,463,302 was 3% below budget and 2% behind last year, primarily driven by passenger volumes which did not reach budget expectations, however better than projected car park and land and building rental income partially offset this shortfall. The team have been focused on cost control, total operating costs of \$1,488,382 were 7% below budget, and 3% below last year.

EBITDA of \$974,920 rose 4% versus budget, and was in line with last year, while the net surplus after tax of \$286,393 was 10% ahead of budget, but 6% below last year due to higher financing & depreciation charges.

Passenger numbers on scheduled commercial flights for the six months to 31 December 2014 were up 1% on the same period last year, while seat capacity increased by 0.5%, resulting in a modest lift in average load factors.

PNAL continue to work closely with Air New Zealand and other strategic stakeholders on a range of activities to support both inbound and outbound growth. PNAL also continues to raise the profile of Palmerston North Airport as the gateway from and to the wider region. The development of the "Fly Palmy" consumer brand is complete. The brand represents our place and role within the region as a facilitator of inbound and outbound travel. The Fly Palmy message will be used in all local and regional promotional activity going forward.

It was disappointing that Air New Zealand announced the termination of Palmerston North – Nelson air services effective from April 2015. PNAL invested significant time & resources into promoting this service and results have met or exceeded PNAL expectations. Unfortunately Air New Zealand's exit of uneconomical Beech 1900D aircraft has been the driver of this decision. On the positive side Air New Zealand will be increasing capacity on other routes into and ex Palmerston North.

Focus on the development of PNAL's land holdings has increased with a range of commercial opportunities being identified for implementation within the next three years. These opportunities have been identified for both airside and landside locations and reflect the diverse range of business types that demand an airport location for their businesses.

World-wide, airport operators are moving beyond the role of just being a facilitator of air travel and trade. Airports are now recognised as economic drivers in their own right. Modern airports are transport hubs and have become major centres of employment for local people, driving regional competitiveness and economic development.

Operationally, we have continued capital upgrades on a variety of facilities with stage 2 of our runway resurfacing program to occur in February 2015.

All statutory requirements relating to the airport have been met, including successful completion of independent audits by the Civil Aviation Authority, during the first six months of the year. These were also supported by continuing monthly internal audits and quality control checks undertaken by an independent body.

The following priorities have been progressed over the last six months:-

- Development and launch of the “Fly Palmy” advocacy brand.
- Identification and planning for multiple airside and land side commercial development opportunities.
- Development of an asset management plan.
- Evaluation of stage two car park upgrade options.
- Progression of planned Air NZ check-in, back of house and Koru lounge upgrades.
- Review/ re-negotiation of commercial leases.
- Cost control activities in progress.

In closing PNAL is acutely aware of its role as a facilitator of economic development within Palmerston North and the wider region, as such we continue to evaluate opportunities to position Palmerston North Airport as the gateway of choice for inbound and outbound travelers and as an attractive location for commercial development.



**Derek Walker**  
**Chairman**



**David Lanham**  
**Chief Executive**

## STATEMENT OF SERVICE PERFORMANCE

\* The Company's current Statement of Intent is dated June 2014.

\* 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 shareholders' funds to total assets has been maintained above 70%.

\* The Company is trading as Palmerston North Airport and FreightGate.

\* 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.*

## Performance Measures :

	<b>Dec 2014 6 Months</b>	<b>Dec 2013 6 Months</b>	<b>SOI Target 12 Months</b>	<b>% of target achieved</b>
1. Ratio of Net Surplus before interest and tax to Total Assets:	1.3%	1.4%	2.5%	54%
2. Ratio of Net Surplus after interest and tax to consolidated Shareholders funds:	0.8%	0.9%	1.5%	53%
3. Interest cover ratio of Net Surplus before interest tax and depreciation to interest, at or above :	4.9	5.2	≥2.5	246%
4. Maintain a tangible net worth (of or above)	35.9	35.58	≥\$35m	100%
5. Total Passenger Throughput	238,655	250,284	475,000	53%
6. Maintain a high level of customer satisfaction	98% are either "Quite satisfied" or "very satisfied" - Customer Satisfaction Survey November 2013			

**STATEMENT OF FINANCIAL PERFORMANCE - Parent & Consolidated**  
**For the Six Months Ended 31 December 2014**

	Note	31-Dec-14 6 Months Unaudited	31-Dec-13 6 Months Unaudited	30-Jun-15 12 Months SOI	30-Jun-14 12 Months Audited
<b>REVENUE</b>	4	2,463,302	2,509,747	4,956,000	4,818,407
<b>OPERATING EXPENSES</b>					
Airfield Services		212,752	246,752	440,000	476,503
Other Operating Expenses	5	551,117	575,680	1,156,000	1,178,860
<b>TOTAL OPERATIONS AND MAINTENANCE</b>		763,869	822,432	1,596,000	1,655,363
<b>Administration:</b>					
Audit Fees		14,046	14,000	28,500	28,000
Loss on Sale of Assets					2,069
Bad Debts Written Off		50	18,732	5,000	10,602
Changes in doubtful debt provision		32,068		12,000	
Directors' Fees		38,250	38,250	78,000	76,500
Employee Expenses	6	346,017	347,243	868,500	657,479
General Administration		208,443	294,983	325,000	541,449
Market Development		85,639		150,000	
<b>TOTAL ADMINISTRATION:</b>		724,513	713,208	1,467,000	1,316,099
<b>TOTAL OPERATING EXPENSES</b>		1,488,382	1,535,640	3,063,000	2,971,462
<b>Operating Surplus before interest, depreciation &amp; taxation</b>		974,920	974,107	1,893,000	1,846,945
<b>Finance Costs &amp; Depreciation:</b>					
Finance costs	7	198,045	187,328	390,500	382,930
Depreciation	15	379,107	344,972	766,500	708,092
<b>TOTAL FINANCE COSTS &amp; DEPRECIATION:</b>		577,152	532,300	1,157,000	1,091,022
<b>Operating Surplus before taxation</b>		397,768	441,807	736,000	755,923
<b>Taxation Expense on operating surplus</b>	8	111,375	135,636	195,000	211,062
<b>NET SURPLUS AFTER TAXATION</b>		286,393	306,171	541,000	544,861

For and on behalf of the Board



**Derek Walker** *Chairman*  
Date : 20 February 2015



**Gerard Gillespie** - *Director*  
Date : 20 February 2015

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



**STATEMENT OF COMPREHENSIVE INCOME - Parent and Consolidated**  
**For the Six Months Ended 31 December 2014**

	31-Dec-14	31-Dec-13	30-Jun-15	30-Jun-14
<i>Note</i>	6 Months	6 Months	12 Months	12 Months
	Unaudited	Unaudited	SOI	Audited
<b>NET SURPLUS AFTER TAXATION</b>	<b>286,393</b>	<b>306,171</b>	<b>541,000</b>	<b>544,861</b>
Gains on revaluation of land and buildings	-	-	-	-
Movement in deferred tax				
Reversal of valuation surplus on disposal	-	-	-	-
<b>Comprehensive income attributed to the shareholder</b>	<b>286,393</b>	<b>306,171</b>	<b>541,000</b>	<b>544,861</b>

**STATEMENT OF CHANGES IN EQUITY - Parent & Consolidated**  
**For the Six Months Ended 31 December 2014**

	31-Dec-14	31-Dec-13	30-Jun-15	30-Jun-14
<i>Note</i>	6 Months	6 Months	12 Months	12 Months
	Unaudited	Unaudited	SOI	Audited
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>35,823,396</b>	<b>35,475,288</b>	<b>35,861,671</b>	<b>35,475,288</b>
Total Comprehensive income	286,393	306,171	541,000	544,861
Distribution to shareholders during the year	(217,921)	(196,753)	(215,762)	(196,753)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>35,891,875</b>	<b>35,584,707</b>	<b>36,186,909</b>	<b>35,823,396</b>

*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 31 December 2014

	Note	31-Dec-14 Unaudited	31-Dec-13 Unaudited	30-Jun-15 SOI	30-Jun-14 Audited
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	9	243,832	302,136	284,720	486,407
Trade accounts receivable	10	331,820	404,721	325,548	357,652
Inventory	11	74	133		63
Sundry receivables and prepayments		83,245	91,510	32,090	42,793
Tax receivable					
<b>TOTAL CURRENT ASSETS</b>		<b>658,971</b>	<b>798,500</b>	<b>642,358</b>	<b>886,915</b>
<b>Less: CURRENT LIABILITIES</b>					
Income in advance		66,106	105,745	90,000	70,218
Trade accounts payable	12	128,734	770,105	120,000	152,148
Other creditors		150,983	17,212	156,000	163,376
Employee benefit liabilities	13	40,788	39,056	54,000	14,308
Tax payable		187,649	27,255	42,701	147,867
Current portion of borrowings	14				27,376
<b>TOTAL CURRENT LIABILITIES</b>		<b>574,260</b>	<b>959,373</b>	<b>462,701</b>	<b>575,293</b>
<b>WORKING CAPITAL</b>		<b>84,711</b>	<b>(160,873)</b>	<b>179,657</b>	<b>311,622</b>
<b>Add: NON CURRENT ASSETS</b>					
Property, Plant & Equipment	15	43,739,891	43,321,697	44,083,369	44,044,501
Investment Property					
Long Term Advance					
<b>TOTAL NON CURRENT ASSETS</b>		<b>43,739,891</b>	<b>43,321,697</b>	<b>44,083,369</b>	<b>43,538,779</b>
<b>Less: NON CURRENT LIABILITIES</b>					
Deferred tax liability	16	2,832,727	2,876,117	2,876,117	2,832,727
Borrowings	14	5,100,000	4,700,000	5,200,000	5,700,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>7,932,727</b>	<b>7,576,117</b>	<b>8,076,117</b>	<b>8,532,727</b>
<b>NET ASSETS</b>		<b>35,891,875</b>	<b>35,584,707</b>	<b>36,186,909</b>	<b>35,823,396</b>
<b>Represented by:</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		16,378,252	16,071,093	10,133,214	16,309,782
Asset revaluation reserve		10,133,214	10,133,214	16,673,295	10,133,214
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>35,891,875</b>	<b>35,584,707</b>	<b>36,186,909</b>	<b>35,823,396</b>

For and on behalf of the Board



Derek Walker - *Chairman*  
Date : 20 February 2015



Gerard Gillespie - *Director*  
Date : 20 February 2015

*The accompanying accounting policies and notes form part of and are to be read*

in conjunction with these financial statements

**CASH FLOW STATEMENT - Parent & Consolidated**  
For the Six months Ended 31 December 2014

	Note	31-Dec-14 6 Months Unaudited	31-Dec-13 6 Months Unaudited	30-Jun-15 12 Months SOI	30-Jun-14 12 Months Audited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash was provided from:					
Receipts from Customers		2,483,255	2,465,231	4,952,966	4,568,655
Interest Received		5,690	2,654	5,436	5,262
Tax Refund					206,257
		<u>2,488,945</u>	<u>2,467,885</u>	<u>4,958,402</u>	<u>4,780,174</u>
Cash was disbursed to:					
Payment to Suppliers and employees		1,543,730	1,443,620	3,241,497	2,910,363
Net GST movement					
Payment of Income Tax		70,000	45,000		125,000
Interest Payments		198,044	189,364	390,646	384,966
		<u>1,811,774</u>	<u>1,677,984</u>	<u>3,632,143</u>	<u>3,420,329</u>
Net cash flows from operating activities	17	677,171	789,901	1,326,259	1,359,845
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash was provided from:					
Sale of Fixed Assets				1,000,000	
Cash was applied to:					
Purchase of Fixed Assets		74,497	335,316	1,381,100	1,748,365
<i>Net cash flow from investing activities</i>		<u>(74,497)</u>	<u>(335,316)</u>	<u>(381,100)</u>	<u>(1,748,365)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Cash was provided from:					
Borrowing					1,000,000
Cash was applied to:					
Repayment of borrowings		600,000	300,000	500,000	300,000
Payment of Dividends		217,921	196,753	220,175	196,753
Net cash from financing activities		<u>(817,921)</u>	<u>(496,753)</u>	<u>(720,175)</u>	<u>503,247</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		(215,247)	(42,168)	224,984	114,727
Cash, cash equivalents and bank overdrafts at the beginning of the year		459,031	344,304	59,735	344,304
Cash, cash equivalents and bank overdrafts at the end of the year	9	<u>243,832</u>	<u>302,136</u>	<u>284,720</u>	<u>459,031</u>
Made up of:					
Cash and Bank Balance		243,832	302,136	284,720	459,031
<b>CLOSING CASH BALANCE</b>		<u>243,832</u>	<u>302,136</u>	<u>284,720</u>	<u>459,031</u>

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

**Consolidated Statement of Commitments  
For the Six Months Ended 31 December 2014**

**Non-cancellable Commitments - Operating  
Lessee**

<b>Not more than one year</b>	27,968
<b>One to two years</b>	4,931
<b>Two to five years</b>	3,840
<b>Over five years</b>	-
	<hr/>
	<b>36,739</b>

**Non-cancellable Commitments - Operating Lessor**

<b>Not more than one year</b>	447,636
<b>One to two years</b>	270,999
<b>Two to five years</b>	277,592
<b>Over five years</b>	443,737
	<hr/>
	<b>1,439,965</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the six months ended 31 December 2014

**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 six months to 31 December 2014

**2. BASIS OF PREPARATION**

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 1993. The financial statements have been prepared in accordance with NZ GAAP. They comply with NZIFRS and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Measurement base

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

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.

**3. ACCOUNTING POLICIES**

Changes in accounting policies

There were no changes to accounting policies during the period being reported.

Specific accounting policies

The accounting policies as published in the Annual Report to 30 June 2014 have been applied constantly to all periods presented in these financial statements.

**4. ANALYSIS OF OPERATING REVENUE**

	<u>31 Dec 14</u> <u>6 Months</u> <u>Unaudited</u>	<u>31 Dec 13</u> <u>6 Months</u> <u>Unaudited</u>	<u>30 Jun 15</u> <u>12 Months</u> <u>SOI</u>	<u>30 Jun 14</u> <u>12 Months</u> <u>Audited</u>
Landing, departure & facility fees	1,325,013	1,359,358	2,661,500	2,565,891
Car park, rent and advertising	1,084,049	1,058,044	1,962,000	2,086,675
Other	48,550	89,691	327,000	160,579
Interest	5,690	2,654	5,500	5,262
	<u>2,463,302</u>	<u>2,509,747</u>	<u>4,956,000</u>	<u>4,818,407</u>
	<u>31 Dec 14</u> <u>6 Months</u> <u>Unaudited</u>	<u>31 Dec 13</u> <u>6 Months</u> <u>Unaudited</u>	<u>30 Jun 15</u> <u>12 Months</u> <u>SOI</u>	<u>30 Jun 14</u> <u>12 Months</u> <u>Audited</u>

**5. OTHER OPERATING EXPENSES**

Rates	181,319	181,062	377,500	351,937
Power and Insurance	145,512	164,319	308,000	330,790
Repairs and maintenance	224,286	230,299	470,500	496,133
	<u>551,117</u>	<u>575,680</u>	<u>1,156,000</u>	<u>1,178,860</u>

**6. EMPLOYEE EXPENSES**

Salaries and wages	336,964	386,299	806,500	652,007
Employer Contribution to Kiwi Saver	-	-	7,000	14,292
Movement in employee entitlements	9,053	(39,056)	55,000	(8,820)
	<u>346,017</u>	<u>347,243</u>	<u>868,500</u>	<u>657,479</u>

**7. FINANCE COSTS**

Interest on term loans	198,045	187,328	390,500	382,930
Interest on overdraft	-	-	-	-
	<u>198,045</u>	<u>209,122</u>	<u>390,500</u>	<u>382,930</u>

**8. TAXATION**

Current year tax payable	111,375	135,636	195,000	211,658
Prior year adjustments	-	-	-	24,964
Movement in deferred tax	-	-	-	(25,560)
Total	<u>111,375</u>	<u>135,636</u>	<u>195,000</u>	<u>211,062</u>

Tax payable is exclusive of any tax-loss offset with Palmerston North City Council.

**9. CASH AND CASH EQUIVALENTS**

BNZ Current account	(7,340)	4,329	10,000	-
Cash on hand	4,212	1,000	1,000	3,545
Foreign currency on hand	-	-	-	-
Short term deposits	246,960	296,807	273,720	482,862
Total	<u>243,832</u>	<u>302,136</u>	<u>284,720</u>	<u>486,407</u>

**10. TRADE ACCOUNTS AND OTHER RECEIVABLES**

Debtors and other receivables	363,731	405,209	337,548	357,652
Receivables from related party	157	776		
Provision for impairment	(32,068)	(1,264)	(12,000)	
Total	<u>331,820</u>	<u>404,721</u>	<u>325,548</u>	<u>357,652</u>

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value after making provisions for impairment on specific overdue accounts.

	<u>31 Dec 13</u> <u>6 Months</u> <u>Unaudited</u>	<u>31 Dec 13</u> <u>6 Months</u> <u>Unaudited</u>	<u>30 Jun 15</u> <u>12 Months</u> <u>SOI</u>	<u>30 Jun 14</u> <u>12 Months</u> <u>Audited</u>
<b>11. INVENTORY</b>				
Other office stationery	74	133	-	63
Total	<u>133</u>	<u>133</u>	<u>-</u>	<u>-</u>

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

#### 12. TRADE ACCOUNTS PAYABLE

Trade accounts payable	126,990	768,464	115,000	149,319
Payables to related party	1,744	1,641	5,000	2,829
Total	<u>128,734</u>	<u>770,105</u>	<u>120,000</u>	<u>152,148</u>

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.

#### 13. EMPLOYEE BENEFIT LIABILITIES

Accrued Pay	15,562	6,060	18,000	(1,865)
Annual leave	25,015	30,712	32,400	15,713
Sick leave	211	2,284	3,600	460
Total	<u>40,788</u>	<u>39,056</u>	<u>54,000</u>	<u>14,308</u>

#### 14. BORROWINGS

Borrowings	5,100,000	4,700,000	5,200,000	5,700,000
Current portion of borrowings			-	27,376
Total	<u>5,100,000</u>	<u>4,700,000</u>	<u>5,200,000</u>	<u>5,727,376</u>

A registered first debenture and mortgage secure the \$5.7million facility from the Bank of New Zealand over assets and property of the Company.

The carrying value of borrowings is materially consistent with their fair value.

**15. PROPERTY, PLANT AND EQUIPMENT**

	<b>30-Jun-14</b>				<b>31-Dec-14</b>
	Carrying Amount	Additions	Disposals	Depreciation	Carrying Amount
Land	21,351,000	-	-	-	21,351,000
Buildings	10,780,396	43,854	23,665	117,522	10,683,064
Infrastructure	10,660,910	61,181	13,411	190,869	10,517,811
Plant & Equipment	994,468	-	-	43,557	950,911
Furniture & Fittings	220,519	6,539		19,470	207,588
Computer Equipment	19,498	-	-	4,937	14,561
Motor Vehicles	-	-	-	-	-
Intangibles	17,710			2,751	14,959
	<u>44,044,501</u>	<u>111,574</u>	<u>37,076</u>	<u>379,106</u>	<u>43,739,891</u>

**16. DEFERRED TAX ASSETS/(LIABILITIES)**

	<b>Property, plant and equipment</b>	<b>Employee entitlements</b>	<b>Other provisions</b>	<b>Total</b>
Balance at 30 June 2014	2,837,182	(2,186)	(2,269)	2,832,727
Change to profit and loss	-	-	-	-
Balance at 31 December 2014	<u>2,837,182</u>	<u>(2,186)</u>	<u>(2,269)</u>	<u>2,832,727</u>

**17. CASH FLOW RECONCILIATION**

Reconciliation of surplus after taxation with net cash flows from operating activities:

	<b>31-Dec-14</b>	<b>31-Dec-13</b>	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	6 Months	6 Months	12 Months	12 Months
	<b>Unaudited</b>	<b>Unaudited</b>	<b>SOI</b>	<b>Audited</b>
Net surplus after tax	286,393	306,171	541,000	544,861
Add Depreciation	379,107	344,972	766,500	708,092
Add loss of sale of assets	-	-	-	2,069
Net movement in deferred tax	-	-	-	(43,990)
Net movement in working capital	11,671	138,758	18,759	(148,813)
Net cash from operating activity	<u>677,171</u>	<u>789,901</u>	<u>1,326,259</u>	<u>1,359,845</u>

**18. CONTINGENCIES**

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.