Palmerston North Airport Ltd

STATEMENT OF INTENT

For the year ending 30 June 2015

STATEMENT OF INTENT

2014/15

PALMERSTON NORTH AIRPORT LIMITED

1 INTRODUCTION

1.1 This Statement of Intent (SOI) is prepared by the Board of Directors of Palmerston North Airport Limited in accordance with s64 of the Local Government Act 2002. The SOI has been prepared under the new Public Benefit Entity (PBE) Standards based on International Public Sector Accounting (IPSAS) Standards and while all efforts have been made to apply the new standards accordingly it is recognised that IPSAS is still in its formative stages therefore should there be any material changes to the Standards, Palmerston North Airport Ltd will issue an amended SOI to reflect these changes.

1.2 Palmerston North Airport Limited ('The Company') falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to s6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's shareholding.

1.3 This Statement declares publicly the activities and intentions of the Company, and provides an opportunity for shareholders to influence the direction of the Company. It also provides a basis for accountability of directors to shareholders for the Company's performance. It is intended to comply with Schedule 8 of that Act, and be consistent with the Company's constitution.

1.4 The SOI is reviewed annually. This SOI is in respect to the 2014/2015 financial year ending 30 June 2015, and the following two financial years ending 30 June 2016 and 30 June 2017.

1.5 The Company owns and operates Palmerston North Airport, having purchased the airport business on 30 January 1990. The Company is trading as Palmerston North Airport and as FreightGate.

1.6 The Company has an interest in FreightGate Ltd, a company that has been formed and may be used for the management of non-operational property. The Palmerston North City Council has exempted FreightGate Ltd from the requirements of a Council Controlled Organisation while it is not trading. The Company may enter into arrangements for the management of non-operational property, which include a shareholding by others in the subsidiary company. The Company will not form any other subsidiary company nor purchase shares in any company without prior consultation with shareholders.

1.7 Contact details for both the Chairman and the Chief Executive are:

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

Phone: +64 6 351 4415

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

2 GOVERNANCE

2.1 The Board's approach to governance of the Company is to preserve and enhance shareholder value in the long term.

2.2 The Board is responsible for the proper direction and control of the Company's activities and is accountable to the shareholder within the framework of the vision and objectives set out in this Statement of Intent, the Constitution, and the provisions of The Companies Act 1993.

2.3 The Board comprises five Directors appointed by the shareholder in accordance with the Constitution.

2.4 Fees for the Board are reviewed annually. The Board recommends fee levels to the shareholder based on commercial or near-commercial rates.

3 SHAREHOLDERS EQUITY

3.1 The value of the shareholder's equity in the company as reported in the Interim Report to 31 December 2013 is $35.6m inclusive of an Asset Revaluation Reserve.

3.2 The Board estimates the commercial value of the shareholder's investment in the Company as being in the range $15 million to $19 million.

3.3 The commercial value has been calculated as the sum of the value of the airport operations business, the market value of undeveloped non-operational land and current cash, less term debt of $6.05 million. The value of the airport operations business has been estimated by using a multiple of EBITDA (earnings before interest, tax, depreciation and amortisation). EBITDA is the forecast position to 30 June 2014 on the assumption of business continuing at present levels into the foreseeable future and an EBITDA multiple range of 6.5 to 8.5.

This estimate will be reviewed annually.

3.4 The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 40%. For the purposes of this ratio 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

4 OUR VISION – WHAT WE WANT TO BE

The Company's Vision is to grow the shareholder and regional economic value by operating a safe, efficient, attractive and profitable airport that serves the Central Region.

4.1 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 travelers and those greeting them or bidding them farewell.

4.2 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.

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

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

4.5 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

5 NATURE AND SCOPE OF ACTIVITIES

5.1 The Company's core business is to operate an airport in Palmerston North for both commercial and non-commercial aviation users.

5.2 The Company will maintain certification pursuant to Civil Aviation Rule Part 139.

5.3 The Company will ensure that all operational and commercial aspects of Palmerston North Airport are undertaken safely in accordance with all statutory requirements and generally accepted best practice.

5.4 The Company maintains a detailed 'Exposition' setting out its responsibilities for the 'airside' of the airport operation and how they will be achieved.

5.5 On the 'landside' area of the airport operation the Company will provide a high level of service to users on a commercial basis, including efficient utilisation of all assets owned by the Company.

5.6 The Company provides terminal facilities.

5.7 The Company will pursue opportunities to increase the value of commercial and non-aeronautical business streams at the airport without prejudicing future aviation functions.

5.8 The Company is committed to an environmentally responsible attitude to the operation of the business, including sustainable management of natural and physical resources, energy efficiency, managed storm water runoff, noise management, and border biosecurity.

5.9 The Company is committed to prudent cost management ensuring our operating budget meets the needs of the business to support development opportunities.

5.10 The Company will seek to grow the scale and scope of the business consistent with the Company Objectives. This may include activities such as:

a) Pursuing increased utilisation of airport industrial land by encouraging the development of aviation-related facilities (such as freight handling, distribution, aviation engineering support, flight training, and visitor industry activities) together with development of other compatible non-aviation activities;

b) Having an appropriate number of concessions within the terminal to maximise financial return;

c) Promoting the lower North Island as a destination with Palmerston North as the central gateway and as the central distribution commercial hub;

d) Working collaboratively with promotional organisations whose strategic objectives support regional development;

e) Seeking opportunities for air transport to be integrated with other transport modes to generate transport efficiencies in support of the regional economy;

f) Encouraging airlines to provide enhanced levels of service and growth in sectors available;

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

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

6 PROPERTY AND MARKET DEVELOPMENT

This Statement of Intent assumes that the Airport will operate as a domestic regional airport in the three years to 30 June 2017. The planned capital expenditure on infrastructure assets is intended for infrastructural replacement to maintain the infrastructure at acceptable service level.

6.1 PROPERTY DEVELOPMENT

The Company will continue to pursue commercial development opportunities on its land holdings. Individual decisions will be made on a case by case basis on how to structure finance for those commercial developments and each opportunity will be assessed on its ability to generate an appropriate return on capital invested.

Each opportunity will be subject to a business case prepared for the Board. Approval to proceed will only be given if the business case shows that an appropriate commercial risk-adjusted rate of return on investment can be achieved and that identified risks can be appropriately mitigated or managed.

The SOI reflects that developments of some nature will proceed within the next three years, with the financials reflecting a $10 million of development investment to occur in the 2015/16 year.

The Company will also consider selling non-strategic land on a case by case basis. Any proceeds from such land sale would be used to reduce debt. The company defines non-strategic land as any area not directly connecting onto the airside environment of the airport; as such this land maybe considered for sale as part on a bona-fide building development that meets the requirements of the “airport zone” and does not impact on airside operational performance and activities. This is noted in the Companys’ Master Planning document and the company’s long term strategy, which is to protect the airport environs from any sensitive activity while providing flexibility for future demands. An allowance of $1 million of land sales has been made for in the year ended 31 June 2015 in the financial forecasts.

6.2 MARKET DEVELOPMENT

The Company intends to make a greater investment in market development over the next three years with the aim of increasing the number of passengers using Palmerston North Airport. The financial forecasts include an increased budget to enable the airport to facilitate visitor activities and actively market our services to attract new customers, retain existing customers and re-engage those passengers who are using services outside of the region.

The Company will focus on both inbound and outbound markets developing strategies that support the growth of new airline routes and increased usage of existing routes. Key to this will be providing reasons for people to travel in and out of the greater airport region. This will be done through identifying key events and products that support the group and VFR (visiting friends and relatives) markets.

Underpinning this strategy is the intention of Air New Zealand to increase seat capacity for Palmerston North in 2014.

The Company will also continue to take a lead across the wider region in developing a macro strategy for visitor development via the fly market; however the success of this will be dependent on the commitment and activities of tourism agencies and local government across the greater airport region.

7 PERFORMANCE TARGETS

The Company has the following performance targets:

7.1 A ratio of net surplus before interest/tax/revaluations to total assets of 2.5% per annum.

7.2 A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve of 1.5%.

7.3 To maintain an interest coverage ratio of net surplus before interest, tax and depreciation to interest at or above 2.5.

7.4 To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above $35 million dollars.

7.5 To maintain Civil Aviation Rule Part 139 certification and have no adverse findings from the annual audit.

7.6 To maintain a level of customer satisfaction of 90% and bi-annually measure this by customer survey.

7.7 To achieve a passenger throughput of 485,000 for the year ending 30 June 2015.

8 COMPENSATION SOUGHT FROM SHAREHOLDERS

8.1 The Company acknowledges that the Palmerston North City Council holds shares in the Company for strategic reasons and that the Company needs to lead in the development and promotion of ancillary services and industry based on the aviation activity. As well as direct benefit to the Company this impacts through to the economic development of the city and region.

8.2 At the request of the shareholder, the Company may undertake activities that are not consistent with normal commercial objectives subject to the shareholder providing a specific subsidy to meet the full commercial cost for providing such activities.

9 INFORMATION TO BE PROVIDED TO SHAREHOLDERS

The Company will deliver to the shareholder:

9.1 Within two months of the end of the first half of the financial year the following unaudited statements:

(i) A Statement of financial performance
(ii) A Statement of movements in equity
(iii) A Statement of financial position
(iv) A Statement of cash flows
(v) A Statement of service performance.

9.2 Within three months of the end of the financial year:

(a) The following audited statements:

(i) A Statement of financial performance
(ii) A Statement of movements in equity
(iii) A Statement of financial position
(iv) A Statement of cash flows
(v) A Statement of service performance.

(b) A summary of how the Company has gone about achieving the objectives set out in Section 4 of this Statement and specifically, how well it has performed against the performance targets set out in Section 7 of this Statement.

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

(d) It is recognised that the timeframes mentioned in 9.1 and 9.2 are legislative maxima and as the Company is a subsidiary of Palmerston North Council (PNCC) both the Company and PNCC will need to work proactively together to meet the reporting and governance requirements of both parties.

PALMERSTON NORTH AIRPORT LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the 12 Months to 30 June

30-Jun-14 Budget	30-Jun-14 Forecast		2012/13 Actual	2014/15 SOI	2015/16 Indicative	2016/17 Indicative
$	$		$	$	$	$
4,706,000	4,906,500	REVENUE (from exchange transactions)	4,589,800	4,956,000	5,262,500	6,124,500
		OPERATING EXPENSES				
1,497,500	1,632,784	Operations and Maintenance:	1,674,409	1,596,000	1,679,000	1,712,000
		Administration:				
28,000	28,000	Audit Fees	27,083	28,500	29,000	29,500
		Loss on Sale of Assets	2,812			
5,000	21,000	Bad Debts Written Off	13,367	5,000	5,000	5,000
500		Changes in Doubtful Debt Provision				
76,500	76,500	Directors' Fees	76,500	78,000	79,500	81,000
		Market Development		150,000	150,000	150,000
1,129,500	1,208,500	General Administration	1,030,525	1,205,500	1,190,000	1,236,500
1,239,500	1,334,000	TOTAL ADMINISTRATION:	1,150,287	1,467,000	1,453,500	1,502,000
2,737,000	2,966,784	TOTAL OPERATING EXPENSES	2,824,696	3,063,000	3,132,500	3,214,000
1,969,000	1,939,716	Operating Surplus before Interest, Depreciation & Taxation	1,765,104	1,893,000	2,130,000	2,910,500
		Finance Costs & Depreciation:				
411,500	392,500	Term Loan Interest	408,709	390,500	451,000	1,027,500
711,500	698,500	Depreciation	647,477	766,500	867,000	1,132,000
1,123,000	1,091,000	TOTAL FINANCE & DEPRECIATION:	1,056,186	1,157,000	1,318,000	2,159,500
846,000	848,716	Operating Surplus before Taxation	708,918	736,000	812,000	751,000
236,500	237,000	Taxation	217,035	195,000	218,500	201,500
609,500	611,716	NET SURPLUS AFTER TAXATION	491,883	541,000	593,500	549,500

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

PALMERSTON NORTH AIRPORT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June

30-Jun-14 SOI	30-Jun-14 Forecast		2012/13 Actual	2014/15 SOI	2015/16 Indicative	2016/17 Indicative
$	$		$	$	$	$
		CURRENT ASSETS				
110,050	59,734	Cash and Cash Equivalents	344,304	284,720	163,335	292,498
300,762	328,720	Trade Accounts Receivable	332,516	325,548	412,763	418,725
15,676	76,659	Sundry Receivables and Prepayments	11,431	32,090	13,432	5,623
426,488	465,114	TOTAL CURRENT ASSETS	688,251	642,358	589,530	716,846
		NON CURRENT ASSETS				
44,244,633	44,451,345	Property, Plant & Equipment	43,014,647	44,066,157	44,691,908	54,655,256
		Investment Property			10,000,000	
	17,212	Intangibles	24,438	17,212	10,612	4,012
44,244,633	44,468,557	TOTAL NON CURRENT ASSETS	43,039,085	44,083,369	54,702,520	54,659,268
44,671,121	44,933,670	Total Assets	43,727,336	44,725,727	55,292,050	55,376,114
		CURRENT LIABILITIES				
90,000	90,000	Income in Advance	79,380	90,000	90,000	90,000
120,000	120,000	Trade Accounts Payable	172,265	120,000	120,000	120,000
173,858	172,000	Other Creditors	52,927	156,000	156,000	156,000
36,142	38,000	Employee Entitlements	54,000	54,000	54,000	54,000
85,995	42,477	Provision for Taxation	17,362	42,701	51,417	42,745
1,200,000		Current Portion of Term Loan	1,200,000			
1,705,995	462,477	TOTAL CURRENT LIABILITIES	1,575,934	462,701	471,417	462,745
		NON CURRENT LIABILITIES				
2,751,744	2,876,117	Deferred tax liability	2,876,117	2,876,117	2,876,117	2,876,117
4,300,000	5,700,000	Term loans	3,800,000	5,200,000	15,400,000	15,200,000
7,051,744	8,576,117	TOTAL NON CURRENT LIABILITIES	6,676,117	8,076,117	18,276,117	18,076,117
8,757,739	9,038,594	Total Liabilities	8,252,051	8,538,818	18,747,534	18,538,862
35,913,382	35,895,076	NET ASSETS	35,475,285	36,186,909	36,544,516	36,837,251
		SHAREHOLDERS' EQUITY				
9,380,400	9,380,400	Paid in Capital	9,380,400	9,380,400	9,380,400	9,380,400
10,133,214	10,133,214	Asset Revaluation Reserve	10,133,214	10,133,214	10,133,214	10,133,214
16,399,768	16,381,462	Retained earnings	15,961,671	16,673,295	17,030,902	17,323,638
35,913,382	35,895,076	TOTAL SHAREHOLDERS' EQUITY	35,475,285	36,186,909	36,544,516	36,837,252

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

PALMERSTON NORTH AIRPORT LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
For the 12 Months to 30 June

30-Jun-14			2012/13	2014/15	2015/16	2016/17
SOI	Forecast		Actual	SOI	Indicative	Indicative
$	$	CASH FLOWS FROM OPERATING ACTIVITIES	$	$	$	$
		Cash was provided from:				
4,612,685	4,907,348	Receipts from Customers	4,345,606	4,952,966	5,170,098	6,113,526
9,000	3,503	Tax refund (net of payments to PNCC)	201,579			
		Interest Received	5,715	5,436	5,179	4,774
4,621,685	4,910,851		4,552,900	4,958,402	5,175,277	6,118,300
		Cash was disbursed to:				
2,676,498	3,042,562	Payment to Suppliers	2,731,547	3,046,497	3,144,376	3,238,233
190,000	134,000	Tax Loss Payment to PN City Council	131,773	195,000	210,000	210,000
		Payment of Income Tax	200,000			
449,500	396,459	Interest Payments	408,709	390,646	450,981	1,027,309
3,315,998	3,573,021		3,472,029	3,632,143	3,805,357	4,475,542
1,305,687	**1,337,830**	**Net cash flows from operating activities**	**1,080,871**	**1,326,259**	**1,369,919**	**1,642,758**
		CASH FLOWS FROM INVESTING ACTIVITIES				
		Cash was provided from:				
		Sale of Property, Plant & Equipment		1,000,000		
		Cash was applied to:				
3,009,925	2,119,383	Purchase Of Property, Plant & Equipment	650,368	1,381,100	11,486,500	1,088,630
(3,009,925)	**(2,119,383)**	**Net cash flow from investing activities**	**(650,368)**	**(381,100)**	**(11,486,500)**	**(1,088,630)**
		CASH FLOW FROM FINANCING ACTIVITIES				
		Cash was provided from:				
		Share Issue				
2,700,000	1,000,000	Borrowing	300,000		10,500,000	-
		Cash was applied to:				
1,200,000	300,000	Loan Repayment	700,000	500,000	300,000	200,000
244,200	196,753	Payment Of Dividends	193,095	220,175	204,802	224,965
1,255,800	**503,247**	**Net cash flow from financing activities**	**(593,095)**	**(720,175)**	**9,995,198**	**(424,965)**
(448,438)	(278,306)	NET MOVEMENT IN CASH	(162,592)	224,984	(121,383)	129,163
499,787	344,304	Add Opening Cash Balance	506,896	59,735	284,720	163,337
51,349	65,997	CLOSING CASH BALANCE	344,304	284,719	163,337	292,500
		Made up of:				
110,050	59,735	Bank Balance and Deposits	344,304	284,720	163,336	292,498
110,050	**59,735**	**CLOSING CASH BALANCE**	**344,304**	**284,720**	**163,336**	**292,498**

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

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

30-Jun-14 Budget $	30-Jun-14 Forecast $		2014/15 SOI $	2015/16 Indicative $	2016/17 Indicative $
		Commercial Developments		10,000,000	
1,718,000	42,763	Buildings	425,000	125,000	199,000
1,196,425	1,993,207	Infrastructure	780,000	1,302,000	842,630
47,500	53,413	Plant and Equipment	54,100	25,000	25,000
28,000	20,000	Furniture and Fittings	10,000	10,000	5,000
20,000	10,000	Computers	87,000	24,500	17,000
		Motor Vehicles	25,000	0	0
		Sale of Property	(1,000,000)		
3,009,925	2,119,383	Total Capital Expenditure	381,100	11,486,500	1,088,630

PALMERSTON NORTH AIRPORT LIMITED
Performance Target metrics
For the 12 Months to 30 June

		Forecast 2015	2016	2017
7.1	A ratio of net surplus before interest/ tax/revaluations to total assets of 2.5% per annum	2.5%	2.5%	3.2%
7.2	A ratio of net surplus after tax to consolidated shareholders funds inclusive of revaluation reserve of 1.5%	1.5%	1.6%	1.5%
7.3	To maintain an interest coverage ratio of or above 2.5% (net surplus before interest, tax and depreciation to interest)	4.85	4.74	2.84
7.4	To maintain a tangible net worth above $35 million dollars (total tangible assets after revaluations less total liabilities)	36,196,932	36,576,222	36,892,103

10 ACCOUNTING POLICY STATEMENTS

10.1 Statement of Accounting Policies

10.1.1 **Reporting Entity**

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

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

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

The financial statements in this Statement of Intent 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 consolidated financial statements of the Company have been prepared in accordance with and comply with Public Benefit Entity Standards based on International Public Sector Accounting Standards (IPSAS), tier 1.

The consolidated financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flows statement is prepared using the direct method. The consolidated financial statements are prepared on an accrual basis.

10.1.2 **Measurement Base**

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.

The Company follows the general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis modified by the revaluation of land and buildings to fair value.

10.1.3 **Specific Accounting Policies**

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

(a) Basis of Consolidation

Controlled Entities

The controlled entities are all those entities (including special purpose entities) over which the controlling entity has the power to govern the financial and operating policies. The controlled entities are fully consolidated from the date on which control is transferred to the controlling entity. They are de-consolidated from the date that control ceases. Inter-group transactions, balances and unrealised gains and losses on transactions between members of the group are eliminated in full. The accounting policies of the controlled entities are consistent with the policies adopted by the controlling entity.

(b) Revenue Measurement and Recognition

Sale of goods or services
Revenue from the sale of goods or services is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Company.

Interest income
Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends
Dividends or similar distributions must be recognised when the shareholder's or the Company's right to receive payments is established.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Rendering of services
The Company recognises revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

(c) Property Plant and Equipment
Property Plant and Equipment consists of**:**

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

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

Measurement
All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

Buildings
Buildings are valued at fair value. Fair value is the amount that an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Revaluations
An independent registered valuer conducts the valuations on a systematic basis with sufficient regularity to ensure that the carrying value does not differ materially from fair values and at least once every three years. All revalued assets are assessed annually to ensure that they do not differ materially from their fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Accounting for Revaluations
The Company accounts for revaluations of property, plant and equipment on a class of assets basis.

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

Depreciation on assets is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life.

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

The Company derecognises items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognised.

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

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

Computer Equipment	3 - 6 years
Motor Vehicles	5 years

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

(d) Intangible Assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Software	3 – 5 years
Web-site Development	4 Years

The useful life of the intangible assets is assessed as either finite or indefinite.

Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on an intangible asset with a finite life is recognised in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit when the asset is derecognized.

(e) Trade and Other Receivables

Accounts receivable are stated at their expected realisable value after writing off any known bad debts and providing for any doubtful debts.

Trade receivables are due for settlement no more than 60 days from the date of recognition.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganisation
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

(f) Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the Company would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of financial performance in those expense categories consistent with the nature of the impaired asset.

Goodwill is tested for impairment on an annual basis. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

(h) Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 the reporting date.

Deferred tax relating to items recognised outside surplus or deficit is recognised outside surplus or deficit. Deferred tax items are recognised in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

(i) Goods and Services Tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(j) Employee Entitlements

Employee entitlements for salaries and wages payable and annual leave as at balance sheet date are accrued and recognised as a liability in the Balance Sheet. The liability is based on actual entitlements calculated at current rates of pay.

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

The Company had no long service or retirement leave obligations as at 30 June 2014.

Superannuation schemes

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

(k) 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 in the periods in which they are incurred.

(l) Financial Liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

(m) Statement of Cash Flows
Cash and Cash Equivalents means cash balances on hand, held in bank accounts and demand deposits / investments in which the company invests as part of its day-to-day cash management, with a maturity of less than three months.

Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the company.

(n) Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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

(p) Critical accounting estimates and assumptions
The preparation of the Company's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that

require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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

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

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

(q) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

(r) Equity

Equity is measured through the following components:

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

Asset revaluation reserves

This reserve relates to the revaluation of land and buildings to fair value.

10.2 In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Office of the Auditor General shall be responsible for the audit of the financial statements of the Company.

10.3 The level of dividend will be reviewed at the end of each financial year in consultation with the shareholder. Any dividend will be subject to the Board being satisfied that the solvency requirements of the Companies Act 1993 will be met, and will take into account the Company's prevailing financial circumstances, and any covenants contracted to the Company's bankers as a condition of borrowing.

10.4 A budget summary report is *attached* to this Statement.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Company.

The budget is a financial plan of the Company's intentions based on factors known at the date of preparation. While it will form the basis of the Statement of Intent, circumstances and the Company's responses will change during the year. All capital expenditure will be subject to consideration of impact on the Company's performance targets. Capital expenditure, other than for conservation of capacity or compliance, will generally be approved where the anticipated return meets or exceeds the Company's cost of capital, or a strategic investment is being made in the best long-term interests of both the Company and Shareholders.

Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.