Palmerston North Airport Limited

STATEMENT OF INTENT

For the year ending 30 June 2017

FINAL
8 June 2016
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 Limited 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 2016/17 financial year ending 30 June 2017, and the following two financial years ending 30 June 2018 and 30 June 2019.

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 Limited.

1.6 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.

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 Company's land, building, and infrastructure assets were revalued as at 30 June 2015, in line with the Company's three-yearly asset revaluation policy. Shareholder equity as shown in the Statement of Financial Position as at 30 June 2015 is $49.3 million. The Directors consider that this represents a reasonable estimate of the Commercial Value of the Company.

3.2 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 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.

4.2 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.

4.3 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.
4.4 **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 recognise their achievement.

4.5 **Stakeholder 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 **OUR STRATEGIC OBJECTIVES – WHAT WE WANT TO ACHIEVE**

5.1 **Maintain a safe and secure operation**
Safety is paramount and will be achieved through an ongoing focus on our safety management systems, and compliance with all standards and regulations.

5.2 **Grow aeronautical and non-aeronautical revenue**
Aeronautical revenue represents revenue sources directly attributable to airline and private aircraft operators utilising Palmerston North runway, apron and terminal facilities for passenger and airfreight related activities.

Non-aeronautical revenue is revenue generated from all other sources excluding aeronautical sources.

5.3 **Market Development**
Market development priorities ultimately relate to the objective of growing passenger volumes and air service activity into and ex-Palmerston North Airport.

5.4 **Maintain core infrastructure**
Our core infrastructure are those assets which are business critical and include our runway, taxi ways, apron and terminal facilities as well as power and IT systems.

6 **NATURE AND SCOPE OF ACTIVITIES**

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

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

6.3 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.

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

6.5 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.

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

6.8 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.

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

6.10 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 land by encouraging commercial development including aviation-related facilities (such as freight handling, distribution, aviation engineering support, flight training, and visitor industry activities) together with development of other complementary non-aviation related activities;

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

c) Promoting Palmerston North Airport as the gateway and central distribution commercial hub for our region which extends from Ruapehu in the North, through Wanganui and Rangitikei, Manawatu, south to Horowhenua and across the ranges to Tararua and the Wairarapa;

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 airline operators to provide enhanced levels of service, to sustainably grow frequency of air service and to consider new sustainable routes.

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

6.12 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 airport business activities from the reverse sensitivity effects of neighbouring development, and to enable expansion of the airport business opportunities.
7 INFRAS TRUCTURE, PROPERTY AND MARKET DEVELOPMENT

7.1 INFRASTRUCTURE DEVELOPMENT

This Statement of Intent assumes that the Airport will operate as a domestic regional airport in the three years to 30 June 2019. The planned capital expenditure on airside and landside infrastructure assets is $2.6 million and $2.7 million respectively over the three-year period.

7.2 PROPERTY DEVELOPMENT

The Company will continue to pursue commercial development opportunities on its land holdings. 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 in addition to the development of landside infrastructure, commercial developments of some nature will proceed within the next three years, with the financials reflecting $10.4 million of commercial development investment to occur from 2016/17.

The Company will also consider the sale of non-strategic land on a case by case basis. Any proceeds from such land sales will be used to reduce debt and / or fund other development opportunities.

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 of 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 Company’s 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.

A forecast allowance of $2.25 million of land and property sales has been made for in the year ended 30 June 2017, and further land sales of $0.35 million in each of the following two years.

To partially fund property and infrastructure development plans, the SOI also reflects the Company’s requirement to increase borrowing under the present CARL facility from $5.7 million to $10.9 million by the end of 2018/19.

7.3 ASSET REVALUATION

The Company’s policy is to undertake a valuation of land, building and infrastructure assets every three years with any changes in value recorded in the financial statements. The next valuation is due as at 30 June 2018. No allowance has been made in the forecast financial statements for any change in asset values that may result.

7.4 MARKET DEVELOPMENT

The Company intends continuing to invest in market development over the next three years with the objective of ultimately assisting airlines to sustainably grow the number of passengers using Palmerston North Airport. Key activities to be undertaken include the ongoing collaboration with
Regional Tourism Organisations, and other stakeholders, and leveraging of our “Fly Palmy” consumer brand to stimulate both inbound and outbound air travel.

8 PERFORMANCE MEASURES

The Company has the following performance measures:

8.1 A ratio of net surplus before interest/tax/revaluations to total assets.

8.2 A ratio of net surplus after tax to consolidated shareholders’ funds inclusive of revaluation reserve.

8.3 To maintain a ratio of consolidated shareholders’ funds to total assets.

8.4 To maintain an interest coverage ratio of net surplus before interest, tax and depreciation to interest.

8.5 To achieve a tangible net worth (total tangible assets after revaluations less total liabilities) target.

8.6 To maintain a targeted level of customer satisfaction and bi-annually measure this through customer surveys.

8.7 To achieve targeted annual passenger movement projections.

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

9 COMPENSATION SOUGHT FROM SHAREHOLDERS

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

9.2 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.

10 INFORMATION TO BE PROVIDED TO SHAREHOLDERS

The Company will deliver to the shareholder:

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

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

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

(a) The following audited statements:

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

(b) A summary of how the Company has gone about achieving the objectives set out in Section 5 of this Statement and specifically, how well it has performed against the performance targets set out in Section 8 of this Statement.

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

(d) It is recognised that the timeframes mentioned in 10.1 and 10.2 are legislative maxima and as the Company is a subsidiary of Palmerston North City Council, both the Company and Palmerston North City Council will need to work proactively together to meet the reporting and governance requirements of both parties.
## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the 12 Months to 30 June

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<tr>
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<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
<td>Forecast</td>
<td>Forecast</td>
<td>Forecast</td>
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<tr>
<td><strong>REVENUE</strong></td>
<td>4,942,760</td>
<td>5,049,240</td>
<td>5,551,513</td>
<td>7,075,074</td>
<td>8,345,942</td>
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<tr>
<td><strong>TOTAL OPERATING EXPENDITURE:</strong></td>
<td>2,878,554</td>
<td>2,932,585</td>
<td>3,138,378</td>
<td>3,683,355</td>
<td>3,668,603</td>
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<tr>
<td><strong>SURPLUS BEFORE INT, DEPN, &amp; TAX</strong></td>
<td>2,064,206</td>
<td>2,116,655</td>
<td>2,413,135</td>
<td>3,391,719</td>
<td>4,677,339</td>
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<tr>
<td><strong>SURPLUS BEFORE TAXATION</strong></td>
<td>911,203</td>
<td>833,293</td>
<td>983,704</td>
<td>1,727,938</td>
<td>2,783,855</td>
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<tr>
<td><strong>NET OPERATING SURPLUS</strong></td>
<td>662,348</td>
<td>599,971</td>
<td>707,468</td>
<td>1,244,116</td>
<td>2,004,376</td>
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</table>

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

For the 12 months to 30 June

<table>
<thead>
<tr>
<th>Year</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
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<tbody>
<tr>
<td><strong>Actual</strong></td>
<td><strong>Budget</strong></td>
<td><strong>Forecast</strong></td>
<td><strong>Forecast</strong></td>
<td><strong>Forecast</strong></td>
<td><strong>Forecast</strong></td>
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</tbody>
</table>

### CURRENT ASSETS

- **Total Current Assets**: 518,475 504,077 407,703 671,426 795,818
- **Current Liabilities**: 686,424 506,742 495,786 499,398 592,878 632,353
- **Working Capital**: (167,949) (2,665) (88,082) 172,028 202,940 160,910

### NON CURRENT ASSETS

- **Net Fixed Assets**: 61,024,050 45,442,859 62,063,291 62,679,298 66,550,122 70,718,309
- **Total Non Current Assets**: 61,024,050 45,442,859 62,063,291 62,679,298 66,550,122 70,718,309

### SHAREHOLDERS' FUNDS

- **Shareholders' Funds**: 49,304,583 36,564,077 49,749,946 50,711,065 52,217,801 53,548,958
- **Total Assets**: 49,304,583 36,564,077 49,749,946 50,711,065 52,217,801 53,548,958

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements.
### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 12 months to 30 June

<table>
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<tbody>
<tr>
<td>EQUITY AT THE BEGINNING OF THE YEAR</td>
<td>35,802,228</td>
<td>36,156,911</td>
<td>36,267,859</td>
<td>49,749,948</td>
<td>50,711,065</td>
</tr>
<tr>
<td>EQUITY AT THE END OF THE YEAR</td>
<td>49,304,583</td>
<td>36,564,077</td>
<td>49,749,948</td>
<td>50,711,065</td>
<td>52,217,801</td>
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PALMERSTON NORTH AIRPORT LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
For the 12 Months to 30 June

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<tr>
<td>CASH FLOW FROM OPERATING ACTIVITIES</td>
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<td>CASH WAS PROVIDED FROM</td>
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<td>CASH WAS DISBURSED TO</td>
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<tr>
<td>NET CASHFLOW FROM OPERATING ACTIVITIES</td>
<td>1,460,309</td>
<td>1,530,738</td>
<td>2,436,649</td>
<td>3,499,724</td>
<td>3,816,241</td>
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<tr>
<td>CASH FLOW FROM INVESTING ACTIVITIES</td>
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<td>CASH WAS PROVIDED FROM</td>
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<tr>
<td>CASH WAS APPLIED TO</td>
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<td>Infrastructure</td>
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<td>Plant and Equipment</td>
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<td>Furniture and Fittings</td>
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<td>Computers</td>
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<td>PNCC Contribution</td>
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<tr>
<td>NET CASHFLOW FROM INVESTING ACTIVITIES</td>
<td>(2,621,750)</td>
<td>(2,164,780)</td>
<td>(1,952,925)</td>
<td>(5,368,400)</td>
<td>(5,850,000)</td>
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<tr>
<td>CASH FLOW FROM FINANCING ACTIVITIES</td>
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<tr>
<td>CASH WAS PROVIDED FROM</td>
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<td>CASH WAS APPLIED TO</td>
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<tr>
<td>NET CASHFLOW FROM FINANCING ACTIVITIES</td>
<td>707,195</td>
<td>515,061</td>
<td>(367,992)</td>
<td>1,897,354</td>
<td>1,993,250</td>
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<tr>
<td>NET INCREASE/(DECREASE) IN CASH HELD</td>
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<tr>
<td>CLOSING OPERATING CASH BALANCE</td>
<td>122,735</td>
<td>44,133</td>
<td>159,865</td>
<td>188,543</td>
<td>148,034</td>
<td></td>
</tr>
</tbody>
</table>

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## PALMERSTON NORTH AIRPORT LIMITED
### CAPITAL EXPENDITURE PROGRAMME
For the 12 months to 30 June

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Forecast</th>
<th>2016/17 Forecast</th>
<th>2017/18 Forecast</th>
<th>2018/19 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Fixed Asset Purchases</strong></td>
<td>2,534,780</td>
<td>4,202,925</td>
<td>5,718,400</td>
<td>6,200,000</td>
</tr>
<tr>
<td><strong>Total Sale of Fixed Assets</strong></td>
<td>370,000</td>
<td>2,250,000</td>
<td>350,000</td>
<td>350,000</td>
</tr>
</tbody>
</table>

## PALMERSTON NORTH AIRPORT LIMITED
### PERFORMANCE METRICS TARGETS
For the 12 months to 30 June

<table>
<thead>
<tr>
<th></th>
<th>2016/17 Forecast</th>
<th>2017/18 Forecast</th>
<th>2018/19 Forecast</th>
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<tbody>
<tr>
<td><strong>PERFORMANCE METRICS</strong></td>
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</table>
11 ACCOUNTING POLICY STATEMENTS

11.1 REPORTING ENTITY

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

The Company has designated itself and the group as public benefit entities (PBES) for financial reporting purposes.

11.1.1 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 are 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.

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.

11.1.2 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.

Interest received is recognised using the effective interest rate method.

Lease revenue from operating leases shall be 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 has been 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. This class of asset was previously valued at cost less
accumulated depreciation.

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.

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

**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.

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 and 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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Improvements</td>
<td>99 years</td>
</tr>
<tr>
<td>Roading &amp; Carparks (Landside Infrastructure)</td>
<td>2 - 99 years</td>
</tr>
<tr>
<td>Buildings &amp; Building services</td>
<td>8 - 99 years</td>
</tr>
<tr>
<td>Runway, Taxiways, Aprons (Airside Infrastructure)</td>
<td>2 - 99 years</td>
</tr>
<tr>
<td>Plant and Equipment</td>
<td>2 - 50 years</td>
</tr>
<tr>
<td>Furniture &amp; Fittings</td>
<td>3 - 99 years</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>3 - 6 years</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5 years</td>
</tr>
</tbody>
</table>

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*

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

(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 is 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.

Superannuation schemes
Obligations for contributions to KiwiSaver are accounted for as contributions to defined 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. 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 has 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**
*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 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/Council 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.

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;
- Paid in Capital;
- Asset revaluation reserve;

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

11.2 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.

11.3 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.

11.4 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.