



Palmerston North Airport Limited

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24 May 2017

The Shareholder, Palmerston North Airport Limited

C/- Mr Paddy Clifford
Chief Executive Officer
Palmerston North City Council
Private Bag 11034
PALMERSTON NORTH

Dear Paddy,

STATEMENT OF INTENT 2017/18

Please find enclosed the final Statement of Intent for Palmerston North Airport Limited (PNAL) for the year ending 30 June 2018 (F17/18).

The key changes that have been made to the draft Statement of Intent submitted to Palmerston North City Council on 28th February 2017 and presented to the Finance and Performance Committee on 20th March 2017 are as follows;

A review of F17/18 revenue and operating expenditure has resulted in EBITDA increasing marginally to \$4.098m from \$4.089m.

The phasing of capital expenditure between the three years in the Statement of Intent has been reviewed and updated. F17/18 capital expenditure has been increased by \$1.36m reflecting a \$0.5m increase in the Massey School of Aviation training facility costs and the deferral of capital works from F16/17, predominantly the \$0.69m Rescue Fire building project.

F18/19 capital expenditure has been increased by \$350k, mainly due to the deferral of the second stage of the long stay car park from F17/18.

F19/20 capital expenditure has been increased by \$200k due to revised cost estimates for runway ends overlay works and an additional commercial building being planned.

As indicated at the 20th March 2017 presentation a material increase in asset values has triggered an asset revaluation for land, buildings and airside infrastructure. The revaluation is now complete, as at 30 June 2017 asset values will increase by \$11.6m as follows;

- Land – Increased by \$3.3m (from \$24.7m to \$28m)
- Buildings – Increased by \$0.9m (from \$12m to \$13m)
- Infrastructure - Increased by \$7.4m (from \$24.3m to \$31.7m)

The increase in both capital expenditure and asset values has resulted in an increase in depreciation of \$261k in F17/18 and \$253k and \$220k in the F18/19 and F19/20 years respectively.

Consequently the F17/18 projected net profit after tax has been revised from \$1.540m to \$1.331m.

Based on a distribution of 40% of after tax profit, a PNCC dividend of \$532k is now projected for the F17/18 year, compared with the \$616k dividend estimated at the 20th March presentation.

The opening balance sheet for F17/18 has been updated and is based on the most recent financial projections for the F16/17 year and the updated asset values.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Lanham', with a long horizontal flourish extending to the right.

David Lanham

CHIEF EXECUTIVE