2017

ANNUAL REPORT

PALMERSTON NORTH AIRPORT LIMITED

FLY PALMY

ANNUAL REPORT 2017

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FINANCIALS

PASSENGER VOLUMES REACHED AN ALL-TIME RECORD OF 629,411 FOR THE TWELVE MONTH PERIOD TO JUNE 2017, 22% AHEAD OF THE PRIOR YEAR AND 15% AHEAD OF THE PRIOR RECORD OF 547,536 ACHIEVED IN 2005.

JOINT REPORT

THE CHAIRMAN AND CHIEF EXECUTIVE'S JOINT REPORT FOR THE YEAR ENDED 30 JUNE 2017

David Lanham
Chief Executive

Murray Georgel
Chairman

OVERVIEW

The Directors and Management Team are pleased to present the 2016/17 Annual Report which outlines the Company's results and progress over the last year in meeting strategic and business objectives.

A surplus after tax of $1.30 million was achieved during the financial year ended 30 June 2017, being 61% ahead of the prior financial year, and 4% ahead of the Palmerston North Airport Limited (PNAL) Statement of Intent target.

The opening of the extended arrivals hall, Air New Zealand's world-class regional lounge, the commencement of Boeing 737-400 freighter operations by Freightways / NZ Post, the re-commencement of Originair services on the Palmerston North – Nelson route, and the launch of the Company's new website were major highlights of the year.

Passenger volumes reached an all-time record of 629,411 for the twelve month period to June 2017, 22% ahead of the prior year and 15% ahead of the prior record of 547,536 achieved in 2005.

Passenger growth was driven primarily by Jetstar operations on the Palmerston North - Auckland route, and also Air New Zealand's investment in additional capacity on Palmerston North - Hamilton and Palmerston North - Wellington routes.

Continuous improvement in the airport experience for travellers and other airport users was again a key driver of infrastructure development and airport operations.

Major capital investments undertaken during the year included the arrivals hall extension, aircraft apron edge repairs and the Long Stay and Valet car parks which are both planned to open in late August 2017.

The Company continues to pursue development of its property holdings. The finalisation of the Airport Zone District Plan provisions has provided greater certainty for Ruapehu Business Park. Master planning for the 20 hectare business park is now underway.

Long serving Director and Company chairman Derek Walker retired in December 2016, after 16 years of service including 14 years as Chair.

FINANCIAL

Revenue of $7.313 million increased 32% on the previous financial year, and was 3% ahead of the Statement of Intent.

The strong aeronautical revenue performance benefited from the renegotiated aeronautical pricing model which had been introduced during the prior financial year. Aeronautical revenue of $4.29 million, was 41% higher than the previous financial year.

Non-aeronautical revenue, consisting of concessionaire's payments, property and land rental, advertising and car parking, of $3.02 million increased 22% compared to the previous financial year, and was 11% above the Statement of Intent target. Non-aeronautical revenue represented 41% of total revenue.

Total expenditure of $3.78 million was 4% above the Statement of Intent, and 21% above the previous financial year. Operating and administration expenditure was driven primarily by additional resourcing requirements and an ongoing focus on commercial opportunities.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were $3.54 million, 48% above the previous financial year and 3% above the Statement of Intent target.

Surplus after tax of $1.30 million was 61% ahead of the prior financial year, and 4% ahead of the Statement of Intent target.

Depreciation charges at $1.22 million were 9% above the previous financial year and 7% below the Statement of Intent. The lower than predicted depreciation charges were a consequence of the delayed construction of the Long Stay Car Park and deferral of other capital projects to the 2017/18 financial year.

Finance charges of $0.27 million were 11% below the previous financial year and 17.5% below the Statement of Intent. These savings were achieved through lower than expected borrowings and lower interest rates achieved from restructuring of the Company's debt.

Following advice of a material increase in values, PNAL's land, building and

airside infrastructure assets were revalued at June 2017. This has resulted in an increase of $10.97 million in asset values. The 18.5% increase in values, and potential future revaluations and their impact on depreciation charges are likely to have a small but material impact on after tax financial performance in the future.

PNAL's balance sheet remains strong with shareholder's equity of $59.61 million and debt of $4.90 million.

All banking covenants have been met during the financial year.

Net cash flow from operating activities was $2.47 million.

Capital expenditure of $1.50 million was incurred during the financial year and related to construction of the Long Stay and Valet car parks, expansion of the arrivals hall, and aircraft apron edge repairs.

Capital expenditure was 43% of the Statement of Intent target, primarily due to the delayed commencement of the Long Stay car park and the deferral of a number of airside capital programmes until the new financial year.

A dividend of $0.520m being 5.65 cents per share will be made for the financial year ended 30 June 2017.

AERONAUTICAL

Total passenger volumes reached a record 629,411 for the twelve months to June 2017; a 22% increase on the prior year and 15% ahead of the prior record of 547,536 achieved in 2005.

Capacity growth on scheduled services was primarily driven by Jetstar who continued to operate four daily services on the Palmerston North – Auckland route. Air New Zealand grew capacity on Palmerston North - Hamilton and Palmerston North - Wellington routes, with both routes benefiting from the introduction of twice daily Q300 services. Originair recommenced Palmerston North – Nelson services in July 2016.

In September 2016 Palmerston North Airport welcomed the first Boeing 737-400 freighter service operated by Freightways in conjunction with New Zealand Post. Palmerston North Airport is one of three major logistics hubs for the two courier operators who share capacity on the twice-daily services on the Auckland – Palmerston North – Christchurch route.

PNAL's Visitor Development activities continued to focus on growing the airport's share of regional travellers. With a catchment that extends from Ruapehu District in the North, through Whanganui, Rangitikei and Manawatu, South to Horowhenua and across to Tararua and the Wairarapa. The airport has redoubled its efforts to win over the hearts and minds of regional travellers.

Stakeholder engagement and collaboration was again strong, with promotional activity undertaken in conjunction with airlines, RTOs and the wider tourism industry. During the year the Company partnered with Destination Wairarapa and GottaLoveNZ to promote the airport and Wairarapa to Auckland residents. The Company became the official City Partner for Te Manawa's very popular Dinosaur Encounter exhibition, with over 45,000 people visiting the exhibition.

The Company's "Fly Palmy" consumer brand continues to represent convenience, connectivity, regional loyalty and personality. The brands objectives include creating awareness amongst inbound and outbound travellers alike on the convenience of using Palmerston North Airport as the gateway to and from the central region.

COMMERCIAL

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

Master planning for the 20 hectare Ruapehu Business Park has commenced. The Masterplan will provide a 20-year vision for Ruapehu Business Park, informing decisions around commercialisation, activity location, social and environmental responsibility.

The construction of a $5.5 million Massey University School of Aviation training facility is the largest project embarked on to date by Palmerston North Airport. It highlights the airport company's focus on facilitating the development of pilot and aviation technical training and engineering support services at Palmerston North Airport.

The finalisation of the Airport Zone District Plan provisions have provided greater certainty for Ruapehu Business Park. The provisions will assist the airport to further diversify its portfolio of commercial tenants within Ruapehu Business Park.

The Company has assessed the property built in 2016 on Airport Drive (currently tenanted to Thrifty Car Rentals and Instant Windscreens) as investment property due to it generating revenue unrelated to the operation of the Airport.

INFRASTRUCTURE / AIRPORT OPERATIONS

Continuous improvement in the airport experience for travellers and other airport users was again a key driver of infrastructure development and airport operations.

The extended arrivals hall completed in July 2016 has increased the ground floor footprint by approximately 650 square metres. With the relocation of the rental car companies to this area, traveller flows through the terminal have been significantly improved with less bottlenecks and delays at bag collection.

The opening of a ground floor café within the arrivals area has enhanced the airport experience for travellers and meeters and greeters alike.

Air New Zealand's new 330m2 Regional Lounge opened in May 2017 and offers a world-class regional lounge experience.

The Long Stay and Valet car parks are under construction with both expected to be open by late-August 2017. The 100-car capacity Long Stay car park will offer the lowest priced parking available at the airport for stays of five days or longer and is expected to appeal to regional travellers. The Valet car park will offer direct under cover access to the terminal and a personalised concierge service.

Further car park upgrades await the completion of the Long Stay and Valet car parks. These include the launch of an online carpark booking system, the relocation and expansion of the rental car park, extension of the taxi rank, and an improved pick-up and drop-off experience for all Airport users.

This year's airside improvements included the replacement of approximately 2,000m2 of a critical apron area and a number of smaller projects across the airfield.

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

The Company continues to maintain a strong focus on health, safety and environment issues. We work closely with other organisations involved in providing services on the airport to ensure the provision of a safe and secure environmental for all Airport users.

OUR PEOPLE

During December 2016, long serving Chair Derek Walker retired from the Board with Murray Georgel appointed as Chairman of the Board. Hamilton-based Christopher Cardwell was appointed to the Board as replacement for Derek Walker.

Derek Walker's tenure at Palmerston North Airport extended for 16 years, including 14 years as Chairman. Derek oversaw a period of significant growth and change at Palmerston North Airport including the cessation of International air services, the establishment of Ruapehu Business Park, and introduction of air services by Jetstar.

Darren Humphreys joined the management team during the financial year. Darren has assumed the responsibility for the management of the Valet car park business model and other agency services. There were no other changes to the management team.

The airport's customer service function received a refresh during the financial year. Re-branded 'Airport Help', the team have been relocated to the extended arrivals area in a highly visible Airport Help kiosk.

OUR SENSE OF PLACE

The Company has fostered a close working relationship with local iwi Rangitane. Together a regional theme for the airport has been agreed upon and design work continues with the theme to be translated into artwork. This will appear within the terminals arrivals and departure areas during the latter half of 2017. Based on the Legend of Hau-Nia-A-Nanaia, the theme will embrace and recognise the many regions and their people who live within the airports catchment area.

THE FUTURE OUTLOOK

Palmerston North Airport's future outlook as a leading New Zealand regional airport continues to be bright.

The Company's strategic priorities will remain focussed on the further sustainable expansion of domestic air services and connectivity to international services via New Zealand's major international Auckland Airport.

The Company's visitor development priorities will continue to focus on the development of relationships with tourism and business partners, including airline and our Regional Tourism Organisations.

The re-design of the terminal – car park interface and refurbishment of the terminal building exterior will further enhance the Airport's attractiveness and convenience for regional travellers and visitors alike.

The planned Massey School of Aviation development and other non-aeronautical business opportunities are the focus in the next financial year, and will be a major catalyst for other developments within Ruapehu Business Park.

Murray Georgel
Chairman

David Lanham
Chief Executive

CONTINUOUS IMPROVEMENT IN THE AIRPORT EXPERIENCE FOR TRAVELLERS AND OTHER AIRPORT USERS WAS AGAIN A KEY DRIVER OF INFRASTRUCTURE DEVELOPMENT AND AIRPORT OPERATIONS.

CORPORATE REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Palmerston North Airport Limited (PNAL) is a 'Council-Controlled Trading Organisation' pursuant to the Local Government Act 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were:

- To provide airport facilities and services to airlines and airport users (both commercial and non-commercial) through the ownership and operation of Palmerston North Airport.
- The development of non aeronautical revenue streams including Ruapehu Business Park and other commercial property.

OWNERSHIP

Palmerston North Airport Limited is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is 100% owned by the Palmerston North City Council (PNCC).

FINANCIAL REPORT

Here are the financial results for the year under review. Details of these financial results are shown on pages 34 to 52.

	2017 Actual	*2017 SOI*	*2016 Actual*
Performance			
Revenue	7,313,379	7,075,074	5,522,881
EBITDA	3,534,503	3,441,719	2,390,513
Net Profit after tax	1,299,122	1,244,116	805,433
Passengers	629,411	631,000	515,727
Financial Position			
Cash and Cash Equivalents	288,028	159,865	288,431
Current Assets	979,562	671,426	1,413,908
Property, Plant & Equipment	72,011,918	62,679,298	61,527,507
Shareholder Funds	59,614,743	50,711,065	49,809,520

COMPANYS AFFAIRS

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

KEY NUMBERS

629,411
Passengers in 2017

$7,313,379
Revenue

$1,299,122
Net Profit after tax

$59,614,743
Shareholder Funds

$72,011,918
Property, Plant & Equipment

DIRECTORS

Retirements

The following Director retired during the 2016/17 financial year:

D N WALKER 1 DECEMBER 2016

Appointments

During the year the following Director was appointed to the Board:

C CALDWELL 1 DECEMBER 2016

DIRECTORS' REMUNERATION

The amount of $90,625 per annum in 2017 and $82,134 per annum in 2016 was paid, or due and payable, to members of the Board as authorised by the shareholder as follows:

	2017	*2016*
Walker D N	12,292	25,474
Gillespie G F	15,000	14,194
Stock O B	0	3,347
Nichols J*	17,000	15,194
Adlam J	15,000	14,194
Georgel M**	22,583	9,731
Cardwell C	8,750	0
	90,625	**82,134**

* Audit and Risk Committee Chairman
** Board Chairman

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

DIRECTORS' INDEMNITY AND INSURANCE

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

USE OF COMPANY INFORMATION BY DIRECTORS

There were no notices from Directors of the Company requesting to use company information received in their capacity as Directors that would not otherwise have been available to them.

SHAREHOLDING BY DIRECTORS

During the year there were no shareholding transactions involving the Directors.

DIRECTORS' INTERESTS

During the course of the financial year to 30 June 2017, Directors declared interest in the following entities:

Interest	*Nature of Interest*	*Relationship to PNAL*
Mr G F Gillespie		
Director	Tui Products	None
Director & Shareholder	Max Fashions	None
Mr J Nichols		
Director	Port of Napier Ltd	None
Chair	Centralines Ltd	None
Director	Nichols Consulting Ltd	None
Chair	Hastings District Council Risk and Audit Subcommittee	None
Chair	Audit and Risk Committee of Maungahahuru Tangitu Trust	None
Ms J Adlam		
Co Chair	The Sustainability Trust	None
Chair	Tautoko Services	None
Coach	The Ice House	None
Coach	Business Changing	None
Chair	Brava Limited	None
Director	Fresh Focus Limited	None
Director	Lifeland Developments Limited	None
Member	Lottery Wellington/Wairarapa Community Committee	None
Mr M Georgel		
Director & Shareholder	NV Enterprises Limited	None
Director & Shareholder	Xenos Ltd	None
Director	BCC Limited	None
Director	Manawatu Investment Group Limited	None
Director	MIG Nominee No.1 Ltd	None
Trustee	Sir Patrick Higgins Charitable Trust	None
Director	Calf Smart Ltd	None
Director	Aorangi Hospital Ltd	None
Trustee	Arohanui Hospice Service Trust	None
Trustee	Arohanui Hospice Foundation	None
Director	Levno Ltd	None
Director	Crest Hospital Ltd	None
Director & Shareholder	CH Management Ltd	None
Mr C Cardwell		
Director	Waikato District Health Board	None
Director	Wairaka Land Company Ltd	None
Director & Shareholder	Australis Property Ltd	None
Director & Shareholder	Laurent Investments Ltd	None

DURING DECEMBER 2016, LONG SERVING CHAIR DEREK WALKER RETIRED FROM THE BOARD WITH MURRAY GEORGEL APPOINTED AS CHAIRMAN OF THE BOARD. HAMILTON-BASED CHRISTOPHER CARDWELL WAS APPOINTED TO THE BOARD AS REPLACEMENT FOR DEREK WALKER.

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

Details of the related party transactions made during the year are shown in Note 15 of the Notes to the Financial Statements.

SCHEDULE OF BOARD MEETING ATTENDANCES

Director	*Number of meetings held*	*Number of meetings attended*
Mr D N Walker	5	5
Mr G F Gillespie	12	11
Mr J Nichols	12	11
Ms J Adlam	12	12
Mr M Georgel	12	11
Mr C Cardwell	7	6

REMUNERATION OF EMPLOYEES

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

	2017	*2016*
$100,000 - $110,000	0	1
$110,000 - $120,000	1	0
$230,000 - $240,000	0	1
$250,000 - $260,000	1	0

AUDITORS

As provided for by Section 70 of the Local Government Act 2002, Audit New Zealand, on behalf of the Auditor-General, is hereby re-appointed as Auditor to the Company.

Auditor's remuneration of $29,115 (GST exclusive) for the 2017 annual audit is reflected in the financial statements as due and payable.

DONATIONS

The Company made donations of $700 this year (2016 $1.6k).

AUDIT AND RISK COMMITTEE

The company has an Audit and Risk Committee comprised of three directors of the PNAL Board. The Committee is responsible for overseeing the financial accounting and audit activities of the Company, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies.

SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

- The Company's Statement of Intent, against which performance is judged, is dated June 2016.
- The Company is trading as Palmerston North Airport Limited.
- The ratio of consolidated shareholder funds to total assets has been maintained above 70%, inclusive of revaluations of land and buildings.
- Palmerston North Airport has been maintained as an airport certificated pursuant to Civil Aviation Rule Part 139 and has achieved satisfactory audits during the period.
- All obligations under the Resource Management Act and the District Plans of the Palmerston North City Council and Manawatu District Council have been met.

OUR VISION – WHAT WE ASPIRE TO BE

During the year the Company adopted a new Company Vision to be New Zealand's leading regional airport.

VISION STATEMENT 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.

VISION STATEMENT 2

ALL TRAVELLERS AND VISITORS USING THE AIRPORT ARE OUR CUSTOMERS.

We will provide a quality airport environment and services that enhance the airport experience of travellers and visitors.

VISION STATEMENT 3

BUSINESSES SERVING THE AIRPORT ARE OUR PARTNERS.

We will provide an efficient, commercial environment and work in close co-operation with our partners and stakeholders to ensure our mutual success.

VISION STATEMENT 4

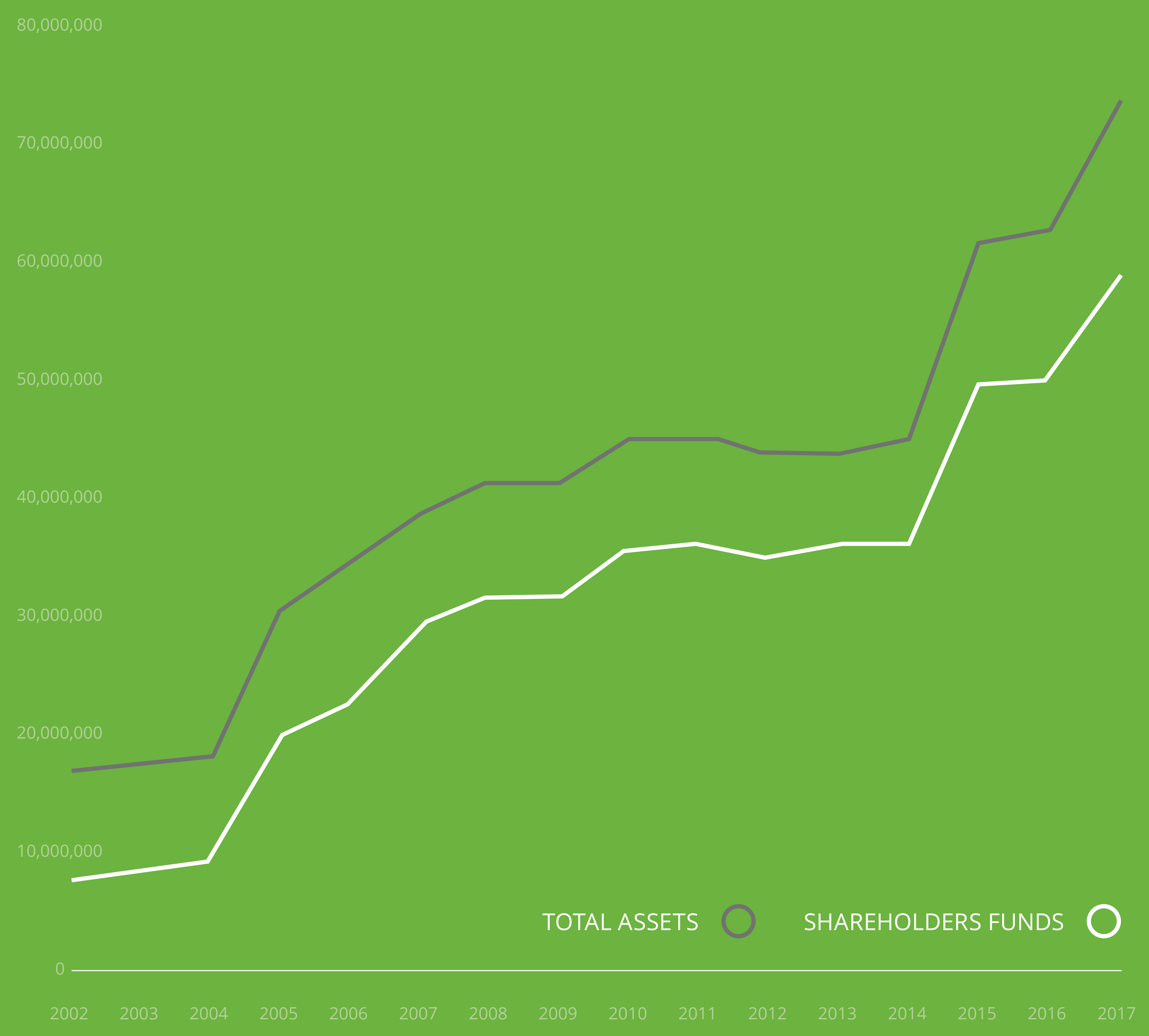
OUR PEOPLE ARE THE KEY TO OUR SUCCESS.

We will meet our vision and objectives of the Company through our skills, commitment and resourcefulness. We will facilitate team development and recognise achievement.

VISION STATEMENT 5

OUR SUCCESS WILL GENERATE STAKEHOLDER VALUE

We will operate a successful enterprise that allows us to invest in the future benefiting our stakeholders.



TOTAL ASSETS AND SHAREHOLDER FUNDS GROWTH

SINCE 2002

PERFORMANCE MEASURES

FOR THE YEAR ENDED 30 JUNE 2017

			2017 Actual	2017 SOI	2016 Actual
1	Ratio of net surplus before interest/tax/revaluations to Total Assets	(1)	3.1%	3.2%	2.0%
2	Ratio of net surplus after tax to consolidated shareholders funds inclusive of revaluation reserve	(2)	2.2%	2.5%	1.6%
3	Maintain a ratio of consolidated shareholders funds to Total Assets		81%	80%	79%
4	Interest cover ratio of net surplus before Interest tax and depreciation to Interest, at or above		13.1	10.4	7.9
5	Maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above $35m		$59.6m	$50.7m	$49.8m
6	Maintain Civil Aviation Rule part 139 certification and have no adverse findings from annual audit	(3)	Civil Aviation rule part 139 certification was maintained and there were no adverse findings		
7	Maintain a level of customer satisfaction of 90% and biannually measure this by customer survey.		n/a	90%	96%
		(4)	96% are either "Quite satisfied ", "very satisfied " or of "average satisfaction"		
8	Total Passenger Throughput		629,411	631,000	515,727

(1)

The SOI ratio did not take into account a asset revaluation. A comparative ratio excluding the revaluation is 3.7%.

(2)

The SOI ratio did not take into account a asset revaluat ion. A comparative ratio excluding the revaluation is 2.6%.

(3)

The 5 yearly CAA Audit was carried out in 2014. Interim surveillance audits are carried out biennially which occurred in 2016.

(4)

The Customer Satisfaction survey was completed in May 2016 and is due to be carried out again in May 2018.

CREATING THE ATMOSPHERE

THE AIRPORT EXPERIENCE

OUR VISION IS

TO BE NEW ZEALAND'S LEADING REGIONAL AIRPORT. THIS CONTINUES TO DRIVE THE AIRPORT'S FOCUS ON DELIVERING A HIGH QUALITY AIRPORT EXPERIENCE FOR TRAVELLERS AND OTHER AIRPORT USERS ALIKE.

DURING THE FINANCIAL YEAR THE EXTENDED ARRIVALS HALL WAS OPENED, ADDING 25% MORE SPACE TO WHAT WAS A HIGHLY CONGESTED GROUND FLOOR AREA.

THE RELOCATION OF RENTAL CAR KIOSKS TO THE NEW ARRIVALS AREA HAS FURTHER ASSISTED IN STREAMLINING TRAFFIC FLOWS THROUGH THE TERMINAL.

A SECOND CAFÉ HAS BEEN ADDED TO THE AIRPORT,. LOCATED ON THE GROUND FLOOR, THE TOUCH N GO CAFÉ HAS PROVED VERY POPULAR WITH ARRIVING PASSENGERS.

YOU SHOULD SEE WHAT THEY'VE GOT NEXT DOOR

TAKE TIME TO MEET THE NEIGHBOURS

SPRING 2016 SAW THE LAUNCH OF FLY PALMY'S TAKE TIME TO MEET THE NEIGHBOURS CAMPAIGN

Fly Palmy used terminal activation and radio to spread the word, plus Facebook to engage with locals and our neighbours, to find out what they loved most about the region.

Fly Palmy reached over 70,000 people via facebook with over 2,500 people engaging and sharing their experiences. What we learnt – people are passionate about their region & keen to share their experiences and memories with others.

FLYPALMY.CO.NZ

GOTTA LOVE & DESTINATION WAIRARAPA

FLY PALMY PARTNERED WITH GOTTALOVENZ & DESTINATION WAIRARAPA TO CONNECT WITH THE AUCKLAND MARKET AND REMIND THEM JUST HOW EASY IT IS TO FLY PALMY AND TAKE A SHORT BREAK TO WAIRARAPA

The campaign also coincided with the opening of the new TUI brewery visitor experience. The summer online Birds & Beers campaign featured a promotional video, starting the journey from Palmy Airport, an action packed Wairarapa competition and numerous posts and blogs by Gotta LoveNZ, Destination Wairarapa, Wairarapa operators and Fly Palmy. The campaign reached over 450,000 Facebook & Instagram followers, with thousands of people sharing, liking and commenting across the various social media platforms.

Gotta Love NZ.com

WIN THE WAIRARAPA BEERS AND BIRDS ESCAPE

LARGE HANGING GARDENS HAVE BEEN INSTALLED AT CHECK-IN AND DEPARTURE AREAS, THE LUSH, TEXTURED FOLIAGE A REFRESHING ADDITION TO THE TERMINAL.

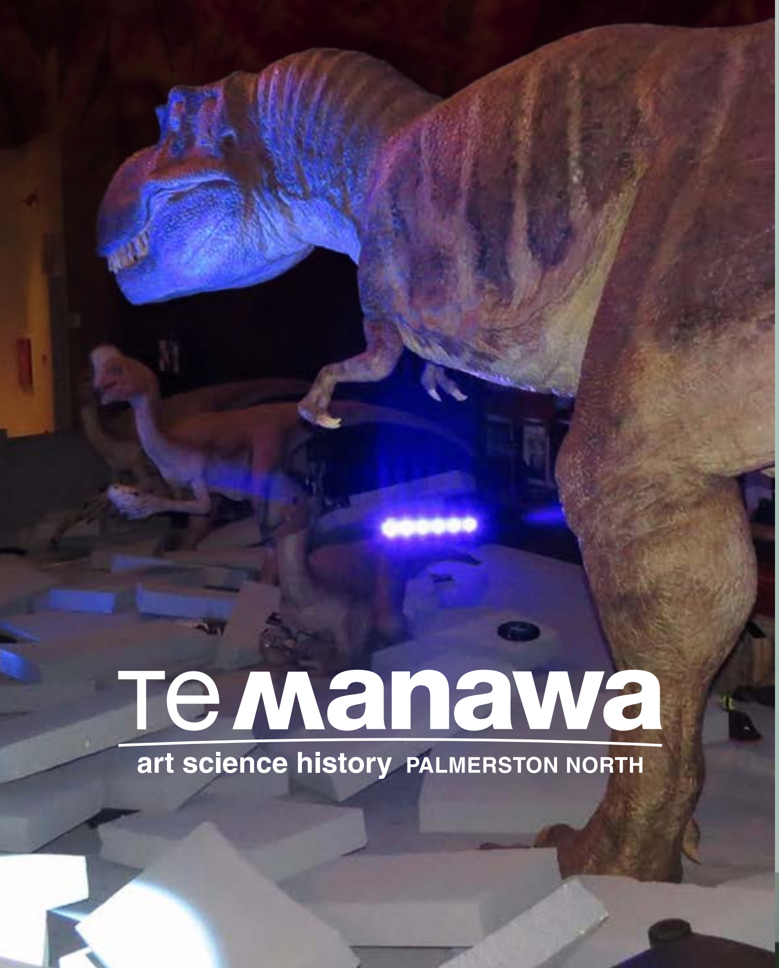
DINOSAUR ENCOUNTER

FLY PALMY

NATURAL HISTORY MUSEUM

FLY PALMY WAS THRILLED TO BE THE CITY PARTNER FOR TE MANAWA'S VERY POPULAR DINOSAUR ENCOUNTER EXHIBITION.

Over 45,000 people visited the exhibition in 2016 and early 2017 and Fly Palmy featured across all local and national marketing activity. Dinosaur Encounter was a fun and engaging exhibition which Fly Palmy was proud to be associated with.



Te Manawa
art science history PALMERSTON NORTH

THE AIRPORT'S CUSTOMER SERVICE FUNCTION WAS REBRANDED AIRPORT HELP AND IS NOW IN THE NEW ARRIVALS AREA.

AIR NEW ZEALAND'S NEW REGIONAL LOUNGE OPENED IN MAY AND PROVIDES CAPACITY FOR OVER 100 LOUNGE GUESTS IN A WORLD-CLASS FACILITY.

NOW CONNECTING

REGIONAL CONNECTIVITY AND EASE OF ACCESS ARE CRITICAL TO THE FURTHER GROWTH OF PALMERSTON NORTH AIRPORT.

The suburban bus service that connects the airport to Palmerston North CBD and Feilding is growing in popularity with visitors and locals alike. In recent months InterCity added Palmerston North Airport to its network, connecting the airport with Wellington and New Plymouth services.

InterCity™

VALET
PARKING

UPGRADE YOUR EXPERIENCE

PALMERSTON NORTH AIRPORT'S MOST CONVENIENT PARKING EXPERIENCE IS COMING IN SEPTEMBER.

Treat yourself to a personalised concierge service, hassle free under cover drop off and pick up of your vehicle, and direct undercover terminal access within a stones throw of the regional lounge.

For more information visit
www.pnairport.co.nz

TWO ADDITIONAL CAR PARKS ARE IN CONSTRUCTION. THE LONG STAY CAR PARK, DUE TO OPEN IN LATE AUGUST, WILL OFFER AIRPORT USERS THE LOWEST PRICED PARKING AVAILABLE AT THE AIRPORT,

WHILE VALET PARKING WILL APPEAL TO THOSE AIRPORT USERS SEEKING A PERSONALISED CONCIERGE SERVICE AND UNDER-COVER ACCESS DIRECTLY INTO THE TERMINAL.

AN ONLINE CAR PARK BOOKING SYSTEM WILL ALSO BE LAUNCHED AND WILL PROVIDE PASSENGERS WHO ARE PARKING AT THE AIRPORT WITH THE CAPABILITY OF BOOKING CAR PARKS ON-LINE.

DOWN TO BUSINESS

RUAPEHU BUSINESS PARK

RUAPEHU
BUSINESS PARK

PLANNING FOR THE RUAPEHU BUSINESS PARK RECEIVED A BOOST WITH THE FINALISATION OF DISTRICT PLAN PROVISIONS FOR THE AIRPORT ZONE. OFFERING OVER 20 HECTARES OF LAND, THE RUAPEHU BUSINESS PARK PROVIDES BOTH AIRSIDE AND LANDSIDE LOCATIONS.

In addition to aeronautically related activities, the business park will include offices along with commercial and retail activities.

Construction of the Massey University School of Aviation's new purpose-built training facility is scheduled to commence in October. The $5.5 million 2,200 m² facility is designed to accommodate School of Aviation students and staff at a single site, rather than at the present two sites: the airport facility and Massey University's Turitea campus.

The School of Aviation has earned an international reputation for the quality of its aviation training and education, and the new facility will assist the school in promoting its services to a wider international audience.

The School of Aviation is expected to act as a catalyst for a number of other developments on Airport Drive, including on-site student accommodation for the School of Aviation, a motel, and retail.

OUR SENSE OF PLACE

THE LEGEND OF HAU-NUI-A-NANAIA

Palmerston North Airport serves a catchment that spans from Ruapehu in the north, through Whanganui, Rangitikei, Manawatu, south to Horowhenua and across to Tararua and the Wairarapa.

After consultation with local Rangitane iwi, it has been decided that the legend of Hau-Nui-A-Nanaia, a story set within the geographic expanse of this catchment, is an appropriate means of signifying our airport's sense of place.

On his journey south from Taranaki, Hau named many of the rivers and waterways within the catchment, including Whanganui, Rangitikei, Manawatu, Otaki, and Lake Wairarapa. The journey of Hau also symbolises the journeys made by present day travellers to and from the wider region.

The story of Hau's journey is already underway within the terminal. Sturdy rock gabions constructed from Manawatu river rocks now greet passengers on their arrival. When entering the terminal, they pass beneath an ornately carved pare whakairo that depicts Hau, his journeys, our airport's role as a gathering place for people, and our regional mountains and rivers.

Further representations of the legend of Hau are now being finalised by local Rangitane artists in consultation with the Airport Company. These are planned to be installed within the arrivals and bag reclaim areas later in 2017.

The landscaping of the terminal and car park interface and Airport Drive will also capture the spirit of the legend by using regional river rock and flora within the design.

PALMERSTON NORTH AIRPORT LIMITED

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2017

	Note	*30-Jun-17 Actual $*	*30-Jun-17 SOI $*	*30-Jun-16 Actual $*
Revenue	1	**7,313,379**	**7,075,074**	**5,522,881**
Operating Expenses				
Operations and Maintenance				
Airfield Services		623,360	594,996	425,962
Other Operating Expenses	11	1,267,719	1,278,821	1,181,692
Total Operations and Maintenance		**1,891,079**	**1,873,816**	**1,607,654**
Administration				
Audit Fees	12	29,115	28,879	26,500
Bad Debts Written Off			5,254	3,223
Changes in Doubtful Debt Provision			21,004	3,400
Directors' Fees		90,625	90,000	82,134
Employee Expenses	7	755,120	757,487	711,425
General Administration		1,012,937	856,914	698,032
Total Administration		**1,887,797**	**1,759,539**	**1,524,714**
Total Operating Expenses		**3,778,876**	**3,633,355**	**3,132,368**
Earnings Before Interest, Taxation, Depreciation and Amortisation		**3,534,503**	**3,441,719**	**2,390,513**
Finance Costs, Depreciation, Amortisation and Loss on Sale				
Finance Costs	9	269,622	326,860	303,689
Depreciation and Amortisation	2	1,217,466	1,336,920	1,129,848
Impairment and Loss on Sale of Assets	2	198,454	50,000	115,911
Total Finance Costs, Depreciation		**1,685,542**	**1,713,780**	**1,549,448**
Operating Surplus Before Taxation		1,848,961	1,727,938	841,065
Taxation Expense on Operating Surplus	6a	549,839	483,823	35,632
Net Surplus After Taxation Attributable to PNCC		**1,299,122**	**1,244,116**	**805,433**

Murray Georgel
Chairman

Jon Nichols
Director

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2017

	Note	*30-Jun-17 Actual $*	*30-Jun-17 SOI $*	*30-Jun-16 Actual $*
Net Surplus After Taxation Attributable To PNCC		**1,299,122**	**1,244,116**	**805,433**
Other Comprehensive Revenue and Expense				
Gains (Losses) on Property, Plant and Equipment Revaluations	13(d)	10,974,180	-	(35,561)
Movement in Deferred Tax at Revaluation	13(d)	(2,145,902)	-	-
Total Comprehensive Revenue and Expense Attributable to PNCC		**10,127,400**	**1,244,116**	**769,872**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Note	*30-Jun-17 Actual $*	*30-Jun-17 SOI $*	*30-Jun-16 Actual $*
Equity at the Beginning of the Year		**49,809,520**	**49,749,948**	**49,304,587**
Total Comprehensive revenue and expense for the year		10,127,397	1,244,109	769,872
Distribution to Shareholder During the Year		(322,173)	(282,992)	(264,939)
Equity at the end of the year attributable to PNCC		**59,614,744**	**50,711,065**	**49,809,520**

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	30-Jun-17 Actual $	30-Jun-17 SOI $	30-Jun-16 Actual $
Current Assets				
Cash and Cash Equivalents	5	288,028	159,865	288,431
Trade Accounts Receivable	4	548,511	510,509	506,438
Sundry Receivables and Prepayments		143,023	1,052	38,266
Assets Held for Sale		-	-	580,773
Total Current Assets		**979,562**	**671,426**	**1,413,908**
Less: Current Liabilities				
Revenue in Advance	14	44,356	90,000	43,927
Trade Accounts Payable	14	638,814	120,000	339,392
Other Creditors	14	277,130	210,000	390,762
Employee Benefit Liabilities	7	87,638	79,398	84,281
Total Current Liabilities		**1,047,938**	**499,398**	**858,362**
Working Capital		**(68,376)**	**172,028**	**555,546**
Add : Non Current Assets				
Property, Plant and Equipment	2	72,011,918	62,679,298	61,527,507
Investment Property	2a	575,000	-	-
Intangible Assets	3	21,927	-	5,051
Total Non Current Assets		**72,608,845**	**62,679,298**	**61,532,558**
Less: Non Current Liabilities				
Deferred Tax Liability	6b	8,075,726	6,395,261	6,128,585
Borrowings	10	4,850,000	5,745 ,000	6,150,000
Total Non Current Liabilities		**12,925,726**	**12,140,261**	**12,278,585**
Net Assets		**59,614,743**	**50,711,065**	**49,809,520**
Represented by:				
Shareholders Equity				
Paid in Capital	13(a)	9,380,400	9,380,400	9,380,400
Retained Earnings	13(b)	18,299,187	18,160,690	17,314,706
Asset Revaluation Reserve	13(d)	31,935,156	23,169,975	23,114,414
Total Shareholders Equity		**59,614,743**	**50,711,065**	**49,809,520**

For and on behalf of the Board

Murray Georgel
Chairman

Jon Nichols
Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	30-Jun-17 Actual $	30-Jun-17 SOI $	30-Jun-16 Actual $
Cash Flows From Operating Activities				
Cash was provided from:				
Receipts from Customers		7,282,794	6,922,682	5,335,904
Interest Received		5,926	2,909	1,887
Tax Refund		104,417	-	-
		7,393,137	**6,925,592**	**5,337,791**
Cash was disbursed to:				
Payment to Suppliers and Employees		3,974,986	3,681,872	3,023,087
Tax Loss Payment to PNCC		104,417	-	134,075
Payment of Income Tax		570,223	480,210	386,594
Interest Payments		269,622	326,861	308,707
		4,919,248	**4,488,943**	**3,852,463**
Net Cash Flows from Operating Activities		**2,473,889**	**2,436,649**	**1,485,328**
Cash Flows From Investing Activities				
Cash was provided from:				
Sale of Property Plant and Equipment		652,391	2,250,000	380,000
Cash was applied to:				
Purchase of Property, Plant & Equipment		1,504,510	4,202,925	2,575,072
Net Cash Flow from Investing Activities		**(852,119)**	**(1,952,925)**	**(2,195,072)**
Cash Flow From Financing Activities				
Cash was provided from:				
Borrowing		1,000,000	1,785,000	1,850,000
Cash was applied to:				
Repayment of Borrowings		2,300,000	1,870,000	750,000
Payment of Dividends	13(c)	322,173	282,992	264,939
Net Cash from Financing Activities		**(1,622,173)**	**(367,992)**	**835,061**
Net increase /(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		**(403)**	**115,732**	**125,317**
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the Year		288,431	44,133	163,113
Cash, Cash Equivalents and Bank Overdrafts Year End	5	**288,028**	**159,866**	**288,431**

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

NOTES TO THE

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

REPORTING ENTITY

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

The company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the company are for the year ended 30 June 2017. The financial statements were authorised for issue on 23 August 2017.

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

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

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

These financial statements comply with PBE standards.

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.

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.

1. ANALYSIS OF OPERATING REVENUE

	2017 Actual	*2016 Actual*
Landing, Departure & Facility Fees	4,291,429	3,039,052
Car Park, Rent and Advertising	2,811,843	2,363,069
Other	207,256	119,083
Interest	2,851	1,677
	7,313,379	**5,522,881**

Revenue Measurement and Recognition

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

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

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

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

2. PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings*	*Airside Infrastructure*	*Landside Infrastructure*	*Total Infrastructure*	*Plant & Equipment*	*Furniture & Fittings*	*Computer Equipment*	*Motor Vehicles*	*Total*
Balances 1 July 2016										
Cost / Valuation	24,668,372	12,125,772	19,352,248	7,243,203	26,595,452	2,166,790	548,781	167,896	11,676	66,284,740
Accumulated Depreciation	-	(237,994)	(585,886)	(2,110,398)	(2,696,284)	(1,307,344)	(377,336)	(127,996)	(10,280)	(4,757,233)
Carrying Amount	**24,668,372**	**11,887,779**	**18,766,362**	**5,132,805**	**23,899,167**	**859,446**	**171,446**	**39,900**	**1,397**	**61,527,507**
Movements for the Year										
Additions & Work in Progress	4,412	554,331	288,937	512,406	801,343	73,431	12,540	54, 936		1,500,993
Disposals		(208,772)		(10,334)	(10,334)	(14,240)	(60,808)			(294,154)
Abandoned Projects					-					-
Revaluation Surplus	3,340 ,648	(246,373)*	6,195,322		6,195,322					9,289,597
Reclassification		(575,000)			-					(575,000)
Disposals - Accumulated Dep.		16,770		7,569	7,569	7,539	52,960			84,838
Depreciation for the Year		(249,770)	(633,898)	(164,955)	(798,853)	(102,034)	(33,186)	(28,977)	(441)	(1,213,261)
Dep. Reversal on Revaluation		470,994	1,219,784		1,219,784					1,690 ,778
Closing Balances 30 June 2017										
Cost/Revaluation	28,013,432	11,649,958	25,836,507	7,745,275	33,581,783	2,225,981	500,513	222,832	11,676	76,206,176
Accumulated Dep.	-	-	-	(2,267,784)	(2,267,784)	(1,401,839)	(357,562)	(156,973)	(10,721)	(4,194,878)
Carrying Amount	**28,013,432**	**11,649,958**	**25,836,507**	**5,477,491**	**31,313,998**	**824,142**	**142,952**	**65,859**	**956**	**72,011,298**
Capital Work in Progress Included at Cost										
30-Jun-17	13,229	395,261		534,571		-	-	10,000	-	953,061

*

The reversal of accumulated depreciation for buildings resulting from the revaluation was higher than the revaluation increase. This has resulted in a net reduction in the Revaluation Surplus component of the Carrying Amount for buildings as at 30 June 2017.

	Land	*Buildings*	*Airside Infrastructure*	*Landside Infrastructure*	*Total Infrastructure*	*Plant & Equipment*	*Furniture & Fittings*	*Computer Equipment*	*Motor Vehicles*	*Total*
Balances 1 July 2015										
Cost / Valuation	24,916,000	11,548,810	18,390,184	6,980,397	25,370,582	2,135,113	529,579	138,787	11,676	64,650,548
Accumulated Depreciation	0	0	0	(1,952,762)	(1,952,762)	(1,213,183)	(341,620)	(120,752)	(9,837)	(3,638,153)
Carrying Amount	**24,916,000**	**11,548,811**	**18,390,184**	**5,027,635**	**23,417,819**	**921,930**	**187,960**	**18,035**	**1,840**	**61,012,395**
Movements for the Year										
Additions & Work in Progress	8,817	1,414,962	962,064	262,806	1,224,870	31,677	19,202	29,109		2,728,637
Disposals	(180,000)	(250,000)								(430,000)
Abandoned Projects										-
Revaluation		(35,561)								(35,561)
Reclassification	(76,445)	(552,439)								(628,884)
Disposals - Accumulated Dep.		4,167								4,167
Depreciation for the Year		(242,161)	(585,886)	(157,636)	(743,522)	(94,161)	(35,716)	(7,244)	(443)	(1,123,247)
Dep. Reversal on Revaluation										-
Closing Balances 30 June 2016										
Cost / Revaluation	24,668,372	12,125,772	19,352,248	7,243,203	26,595,452	2,166,790	548,781	167,896	11,676	66,284,740
Accumulated Dep.	-	(237,994)	(585,886)	(2,110,398)	(2,696,284)	(1,307,344)	(377,336)	(127,996)	(10,280)	(4,757,233)
Carrying Amount	**24,668,372**	**11,887,779**	**18,766,362**	**5,132,805**	**23,899,167**	**859,446**	**171,446**	**39,900**	**1,397**	**61,527,507**
Capital Work in Progress Included at Cost										
30-Jun-16	8,817	412,064		89,763		-	-	12,285	-	522,929

LAND, BUILDINGS AND AIRSIDE INFRASTRUCTURE FAIR VALUE

Land

Land is valued at fair value.

The most recent valuation was performed by independent registered valuers Messrs Morgans Property Advisors. The valuation is effective as at 30 June 2017.

As per Commerce Commission guidelines, fair value has been determined using the Market Value in Alternative Use Highest and Best Use (MVAU) methodology.

In order to determine MVAU, the airport land has been split into five hypothetical areas based on location. These include Rural, Lifestyle, Residential, Commercial and Industrial to which MVAU valuations have then been applied.

The company's zones (Airside, Commercial and Rural) have then been overlaid. Valuation of the company's activity zones are therefore based on the MVAU values applied to the respective underlying hypothetical areas falling within each PNAL zone.

Buildings

The most recent valuation was performed by independent registered valuers Morgans Property Advisors. The valuation is effective as at 30 June 2017.

Buildings are valued at fair value using depreciated replacement cost. Where appropriate, the value of the improvements have then been reconciled against the investment method which capitalises the actual or potential market rental income having regard for yields as derived from sales of comparable property from which deduct the underlying value.

Airside Infrastructure

The most recent valuation was performed by independent consultant engineers and valuers AECOM New Zealand Limited. The valuation is effective as at 30 June 2017.

Revaluations will continue to be undertaken at least three yearly, in line with the current revaluation cycle of the company.

Fair value has been determined calculating the replacement cost of the asset based on current construction costs to recreate the asset with current legislative requirements. Assets have then been adjusted for physical obsolescence using a straight line depreciation approach. From there an estimated percentage of remaining life of the asset is applied based on the condition of the asset to calculate the current replacement cost.

Landside Infrastructure

Landside Infrastructure has been valued at fair value based on cost less depreciation.

Impairment

Impairment for Property, Plant and Equipment for 2017/18 was as follows: Due to the seismic risks associated with the Rescue Fire Building, this structure is to be demolished early in the 2017/18 year, and replaced with a new building. Accordingly, the value of this building has been impaired from $76,800 to zero as at 30 June 2017.

(2016: Nil impairment).

PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY ON BORROWINGS

There is a General Debenture held by the BNZ of the company assets and undertaking of the airport. Additionally the BNZ also hold first mortgages on 296 and 320 Milson Line, and RD 10 Railway Road.

DISPOSAL OF ASSET

320 Milson Line, being a residential home and land was sold in August 2016 as it provided no further use to the Company. An impairment loss of $48k was recognised in 2016 for this property as this asset was recorded as an Asset Held for Sale as at 30 June 2016.

294 Milson Line, being a residential home, was sold in March 2017 and subsequently disposed as approved by the Board as it provided no future use to the Company. A $47k loss on disposal of this property was recognised in the Statement of Comprehensive Revenue and Expense in the line item "Impairment Loss and Loss of Sale of Assets".

ASSETS HELD FOR SALE

The Company had no assets held for sale as at June 2017. (2016: $580,733 – 320 Milson Line).

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

Infrastructure Assets consist of Airside and Landside Infrastructure. Airside Infrastructure assets include runways, aprons, taxiways, and underground reticulated systems and Landside Infrastructure assets include pavements, car parking and roading outside the secure areas of the airport.

MEASUREMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

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.

Accounting for Revaluations

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

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

Additions

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

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

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

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the surplus and deficit account.

When revalued assets are sold, the amount included in revaluation reserve in respect of those assets is transferred to retained earnings.

Subsequent Cost

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant and equipment are recognised in the surplus and deficit account as they are incurred.

DEPRECIATION

Depreciation is provided on a straight-line basis on all items of property, plant 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:

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

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

IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, and equipment and intangible asset's 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 assets 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.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are held for sale.

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.

2A. INVESTMENT PROPERTY

	2017 Actual
Balance as at 1 July	-
Additions and Acquisitions	
Disposals	
Depreciation	
Reclassification from PPE	575,000
Fair Value Gains/(Losses) on Valuation	
	575,000

The Company made its first transfer to investment property this year.

Investment properties are valued annually at 30 June at fair value. The valuation was performed independent valuers Morgans Property Advisors as at 30 June 2017.

Rental income for the year was $52k. There were no expenses from investment property generating income. No contractual obligations for capital expenditure and no contractual obligations for operating expenditure.

3. INTANGIBLE ASSETS

Balances 1 July 2016	Website Development	Total
Cost / Valuation	26,419	26,419
Accumulated Depreciation	(21,368)	(21,368)
Carrying Amount	**5,051**	**5,051**
Movements for the Year		
Additions	-	-
Disposals	26,419	26,419
Revaluation Writedown	-	-
Re-classification of Renovations	-	-
Disposals - Accumulated Dep.	24,671	24,671
Amortisation for the Year	(3,303)	(3,303)
Dep. Reversal on Revaluation	-	-
Closing Balances 30 June 2017		
Cost / Revaluation	-	-
Accumulated Dep.	-	-
Carrying Amount	**-**	**-**
Capital Work in Progress Included at Cost	**21,928**	**21,928**

Balances 1 July 2015	Website Development	Total
Cost / Valuation	26,419	26,419
Accumulated Depreciation	(14,764)	(14,764)
Carrying Amount	**11,655**	**11,655**
Movements for the year		
Additions	-	-
Disposals	-	-
Revaluation Writedown	-	-
Re-classification of Renovations	-	-
Disposals - Accumulated Dep.	-	-
Amortisation for the Year	(6,604)	(6,604)
Dep. Reversal on Revaluation	-	-
Closing Balances 30 June 2016		
Cost / Revaluation	26,419	26,419
Accumulated Dep.	(21,368)	(21,368)
Carrying Amount	**5,051**	**5,051**
Capital Work in Progress Included at Cost	**-**	**-**

Intangible Assets

Internally generated intangible assets

Costs associated with the development of the company's website 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%

4. TRADE ACCOUNTS AND OTHER RECEIVABLES

	2017 Actual	2016 Actual
Debtors and Other Receivables	547,167	508,460
Receivables from Related Party	884	1,378
Provision for Impairment	-	(3,400)
Total	**548,051**	**506,438**

Movements in the provision for impairment of Receivables are as follows

	2017 Actual	2016 Actual
Balance at 1st of June	(3,400)	(30,317)
Additional Provisions	-	(3,400)
Provisions Reversed	-	8,938
Receivables Written Off	3,400	21,379
Total	**-**	**(3,400)**

Trade and Other Receivables

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

5. CASH AND CASH EQUIVALENTS

	2017 Actual	2016 Actual
Current Account	133,191	280,009
Cash on Hand	4,011	3,358
Short Term Investment Account	150,826	5,064
Total	**288,028**	**288,431**

Cash, Cash Equivalents and Bank Overdrafts

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

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

6A. TAXATION

	2017 Actual	2016 Actual
Operating Surplus (Deficit) Before Taxation	1,848,961	841,065
Tax there on	517,709	235,498
plus (less) tax effect of:		
- permanent differences/non-deductible expenditure	108,280	33,000
- prior year under/(over) provision	-	10,669
- deferred tax adjustment for the year	(76,150)	(243,536)
Tax charge for the year	**549,839**	**35,631**
Tax expense for the year comprising:		
Current Tax	748,600	397,896
Prior Year Adjustments	-	10,669
Deferred Tax from Current Year Activity	(198,761)	(372,934)
	549,839	**35,631**

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

6B. DEFERRED TAX (ASSETS)/LIABILITIES

	Property, Plant and Equipment	*Employee Entitlements*	*Other Provisions*	*Total*
Balance at 1 July 2016	6,150,946	(20,645)	(1,717)	6,128,584
Charged to Surplus and Deficit - Current Year	(199,499)	(214)	952	(198,761)
Charged to Other Comprehensive Income	2,145,902			2,145,902
Balance at 30 June 2017	**8,097,349**	**(20,859)**	**(765)**	**8,075,725**
Balance at 1 July 2015	6,520,302	(10,176)	(8,608)	6,501,518
Charged to Surplus and Deficit - Current Year	(369,356)	(10,469)	6,891	(372,934)
Charged to Other Comprehensive Income				
Balance at 30 June 2016	**6,150,946**	**(20,645)**	**(1,717)**	**6,128,584**

7. EMPLOYEE BENEFIT LIABILITIES

	2017 Actual	*2016 Actual*
Accrued Pay	38,142	33,178
Annual Leave	46,805	49,474
Sick Leave	2,691	1,629
Total	**87,638**	**84,281**

7A. EMPLOYEE EXPENSES

	2017 Actual	*2016 Actual*
Salaries and Wages	737,520	674,884
Employer Contribution to Kiwi Saver	19,207	21,354
Movement in Employee Entitlements	(1,607)	15,187
Total	**755,120**	**711,425**

Income Tax continued

which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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.

Employee Entitlements

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

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

8. COMMITMENTS

	2017	*2016*
Operating Commitments as Lessee		
Less than 1 Year	71,722	32,771
Between 1 and 5 Years	110,516	41,883
Over 5 Years	-	-
Total	**182,238**	**74,654**
Operating Commitments as Lessor		
Less than 1 Year	1,116,806	513,534
Between 1 and 5 Years	2,279,634	538,941
Over 5 Years	573,838	349,957
Total	**3,970,278**	**1,402,432**
on-going month to month leases	**57,242**	**160,730**

These commitments are GST exclusive.

Employee Entitlements continued

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

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

Presentation of employee entitlements
Sick leave and annual leave are classified as a current liability.

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

Leases

Operating Leases
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Operating Commitments as Lessee

PNAL leases computer and electronic equipment, lift infrastructure, billing software, advertising and a motor vehicle. The unexpired terms of leases as at 30th June 2017 range from 1 to 46 months.

Operating Commitments as Lessor

PNAL leases land, buildings and advertising space in the normal course of its business. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

2017 and 2016 commitments have been calculated until the end of the current right of renewal, or end of the contract, whichever comes first. These commitments relate to property leases, advertising, and rental agency contracts and are GST exclusive.

There are other ongoing leases amounting to $57,242 per annum that are on a month to month basis (2016: $160,730). There are no contingent rents recognised as revenue in the period.

Capital Commitments

PNAL had capital commitments of $215k as at 30 June 2017. Commitments at 30 June 2016 were $78k.

9. FINANCE COSTS

	2017 Actual	2016 Actual
Interest on Secured Long Term Loans	269,622	303,689
	269,622	**303,689**

10. BORROWINGS

	2017 Actual	2016 Actual
Borrowings	4,850,000	6,150,000
Bank Overdraft	-	-
Total	**4,850,000**	**6,150,000**
Interest rates on Borrowings	4.89% - 5.38%	4.47% - 6.81%

Borrowings and borrowing costs

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

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

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

Registered mortgage over property owned by the Company secure the $4.85 million (2016: $6.15m) borrowings from Bank of New Zealand. This includes existing perfected security interest in all present and after acquired property of Palmerston North Airport Limited. Refer to Note 2 for the carrying value of the secured assets at balance date.

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

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

11. OTHER OPERATING EXPENSES

	2017 Actual	2016 Actual
Rates	350,460	370,076
Power and Insurance	303,890	294,305
Repairs and Maintenance	613,369	517,311
Total	**1,267,719**	**1,181,692**

12. AUDIT FEES

	2017 Actual	2016 Actual
Fees are for Audit of Financial Statements Palmerston North Airport Limited	29,115	26,500
Disbursements	500	1,000
Total	**29,615**	**27,500**

13. EQUITY

(a) Share Capital

	2017 Actual	2016 Actual
9,195,000 Ordinary Share Capital at 30 June	9,380,400	9,380,400
Closing Balance	**9,380,400**	**9,380,400**

All shares carry equal voting rights and the right to any share in surplus on winding up of the company. None of the shares carry fixed dividend rights.

b) Retained Earnings

	2017 Actual	2016 Actual
Opening Balance	**17,314,703**	**16,754,209**
Net Operating Surplus	1,299,122	805,433
Dividends Paid During Year	(322,173)	(264,939)
Transfer from Asset Revaluation Reserve for Sale of Asset	7,536	20,000
Closing Balance	**18,299,188**	**17,314,703**

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.

(c) Proposed Dividends:

Once the solvency test has been satisfied, the Directors will declare a fully imputed dividend of 5.65 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2017 representing $519,649 for the 12 months ending 30 June 2017. (A dividend of 3.50 cents per $1 paid up share capital representing $322,173 was declared for the 12 months ending 30 June 2016).

(d) Asset Revaluation Reserve

	2017 Actual	2016 Actual
Opening Balance	23,114,414	23,169,975
Revaluation movement		
- Land	3,340,648	-
- Buildings	218,426	(35,561)
- Airside Infrastructure	7,415,106	-
Less Deferred Taxation		
Movement - Buildings	(69,672)	-
Movement - Airside Infrastructure	(2,076,230)	-
Transfer to Retained Earnings for sale of asset	(7,536)	(20,000)
Closing Balance	**31,935,156**	**23,114,414**
Asset Revaluation Reserve Consists of		
- Land	16,211,046	12,870,398
- Buildings	1,590,424	1,449,206
- Airside Infrastructure	14,133,686	8,794,810
	31,935,156	**23,114,414**

Critical judgments in applying accounting policies

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

14. TRADE ACCOUNTS PAYABLE

	2017 Actual	2016 Actual
Revenue in Advance from Exchange Transactions	44,356	43,927
	44,356	**43,927**
Revenue in Advance from Non-Exchange Transactions	-	-
Total	**44,356**	**43,927**
Trade Accounts Payable from exchange transactions		
Trade Accounts Payable	345,131	230,222
Payables to Related Party	9,265	3,028
Trade Accounts Payable from non-exchange transactions		
Tax payable	284,571	106,142
Total	**638,967**	**339,392**
Other creditors from exchange transactions		
Other Creditors	269,482	367,296
Other creditors from non-exchange transactions		
GST Payable	3,443	23,466
Total	**272,925**	**390,762**

15. RELATED PARTY TRANSACTIONS

Palmerston North City Council (PNCC) holds 100% of the issued shares of the PNAL.

PNAL received services from PNCC during the 12 months ended 30 June 2017 for $359,672 exclusive of GST (2016: $379,654 exclusive of GST). In addition a tax loss offset of $372,917 resulted in a tax refund of $104,417 for the 2015/16-tax year. (2016: The tax loss offset for 2014/15 was $478,838 and resulted in a $134,075 tax refund). The tax refunds were paid to PNCC.

PNAL pays a dividend to PNCC each year equating to 40% of after tax surplus. Once the solvency test has been satisfied, the Directors will declare a fully imputed dividend of 5.65 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2017 representing $519,649 for the 12 months ending 30 June 2017, (a dividend of 3.50 cents per $1 paid up share capital representing $322,173 was declared and paid to PNCC for the 12 months ending 30 June 2016).

PNAL provided services to PNCC during the 12 months ended 30 June 2017 for $13,247 exclusive of GST. (2016: $16,828).

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

PNAL owed Palmerston North City Council $9,265 inclusive of GST as at 30 June 2017, (the balance owing, as at 30 June 2016 was $3,028).

Palmerston North City Council owed the PNAL $888 inclusive of GST as at 30 June 2017, (the balance owing as at 30 June 2016 was $1,378).

Key Personnel Remuneration

	2017 Actual	*2016 Actual*
Directors		
Remuneration	90,625	82,134
Full Time Equivalents	5	5
Senior Management Team including the Chief Executive		
Remuneration	529,167	443,850
Full Time Equivalents	5	4

Due to the difficulty in determining the full time equivalent for Directors the full time equivalent figure is taken as the number of directors.

OTHER SIGNIFICANT POLICIES

Other Financial Assets

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

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

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

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

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

The company has the following relevant category:

Loans and receivables
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.

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.

Statement of Cash Flows

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

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

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

16. MAJOR VARIANCES EXPLAINED

Account	*Actual*	*Budget/SOI*	*Variance*	*Notes*
Operating Revenue	7,313,379	7,075,074	(238,305)	Increased revenue is related to higher than budgeted car park and land and building revenue.
Total Administration	1,887,797	1,759,539	(128,258)	Administrative costs were ahead of budget driven primarily by increased legal and consultancy costs related to property development.
Finance Costs	269,622	326,860	57,238	Borrowings were less than budgeted due to the timing of capital project payments.
Depreciation	1,217,466	1,336,920	119,454	Depreciation costs were less than budgeted due to the timings of capital projects.
Dividends Paid	322,173	282,992	(39,181)	Higher payment due to 2015/16 Net Profit after Tax being above SOI.
Deferred Tax	8,075,726	6,395,261	(1,680,465)	The increase in asset values following the revaluation in June 2017 has resulted in a higher deferred tax liability. The 2016/17 SOI was set prior to the revaluation taking place.
Current Assets	979,562	671,426	308,136	2017 actual figures include the prepayment of insurance premiums and an increase in the closing bank balance at year end.
Current Liabilities	1,047,938	499,398	(548,540)	Higher than budgeted Trade Creditors.
Property, Plant, Equipment and Intangible Assets	72,608,845	62,679,298	(9,929,547)	Revaluation of landside and airside assets was carried out after the 2016/17 SOI was approved.
Term Borrowings	4,850,000	5,745,000	895,000	Relates to timing of capital project payments.

17. FINANCIAL INSTRUMENTS

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

Financial Assets	*Rating**	*2017*	*2016*
Cash and Cash Equivalents	AA-	288,028	288,431
Trade Receivables		548,051	506,438
Total Financial Assets		**836,079**	**794,869**

Financial Liabilities	*2017*	*2016*
Trade Accounts and Other Payable	911,892	711,026
Borrowings - Secured Loans	4,850,000	6,150,000
Total Financial Liabilities	**5,761,892**	**6,861,026**

*
Standard & Poor's Rating for BNZ

18. EVENTS AFTER BALANCE DATE

On 21 July 2017, The Company entered an Agreement to Construct and Lease with Massey University School of Aviation for an aviation training facility with a value of $5.5million. The Company has received a credit approved indicative letter of offer from BNZ for the funding of this facility.

FINANCIAL HIGHLIGHTS

Year ending	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Statement of Financial Performance:	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**
Total Revenue	7,313	5,523	4,943	4,818	4,590	4,480
Net Surplus Before Interest, Depn, Taxation	3,534	2,391	2,064	1,847	1,765	1,739
Net Surplus Before Taxation & Misc Items	1,849	841	911	756	709	684
Net Surplus After Taxation Excluding Deferred Tax Adj.	1,299	805	662	544	492	496
Earnings Per $ of Paid Up Share Capital (excl. any Premium on Issue and Deferred Tax Adjustments)	14.13c	8.75c	7.20c	5.92c	5.35c	5.39c
Dividend Proposed or Paid Per $ of Paid Up Share Capital (excl. of any Premium on Issue)	5.65c	3.50c	2.88c	2.37c	2.14c	2.10c
Statement of Financial Position	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**
Total Assets	73,588	62,946	61,543	44,904	43,727	43,878
Shareholders Funds	59,615	49,810	49,305	35,823	35,475	35,177
Share Capital paid up (excl. of Any Premium on Issue)	9,195	9,195	9,195	9,195	9,195	9,195
Net Asset Backing Per Share	$6.48	$5.42	$5.36	$3.90	$3.86	$3.83
Return On Shareholder Funds (excl. Deferred Tax Adjustments	2.18%	1.62%	1.34%	1.52%	1.39%	1.41%

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF THE PALMERSTON NORTH AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

The Auditor General is the auditor of the Palmerston North Airport Limited (the company). The Auditor General has appointed me, Andrew Clark, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

OPINION

We have audited:

- the financial statements of the company on pages 34 to 52, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 14.

In our opinion:

- the financial statements of the company on pages 34 to 52:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on page 14 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2017.

Our audit was completed on 23 August 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

BASIS FOR OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 13, page 53 and page 56. But does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the company in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

Andrew Clark

Andrew Clark

Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand

COMPANY DIRECTORY

PALMERSTON NORTH AIRPORT LIMITED

DIRECTORS

As at June 2017

Murray Georgel	(Chairman)
Jon Nichols	(Chairman of Audit & Risk Committee)
Josie Adlam	
Gerard Gillespie	
Derek Walker	(Retired December 2016)
Christopher Cardwell	(Appointed December 2016)

MANAGEMENT

David Lanham	- Chief Executive
Glen Pleasants	- Manager Aeronautical and Infrastructure
George Clark	- Commercial Manager
Sonya Wood	- Financial Accountant
Angela Scott	- Visitor Development Manager
Brent Lawry	- Terminal Manager
Darren Humphreys	- Manager Valet and Agency Services

REGISTERED OFFICE

Palmerston North Airport Limited
Terminal Building
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PALMERSTON NORTH

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Web: www.pnairport.co.nz

TRADING BANKERS

Bank of New Zealand

LEGAL ADVISORS

Cooper Rapley Lawyers

AUDITORS

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


PALMERSTON NORTH
AIRPORT LIMITED
FLY PALMY