



Hamilton International Airport
Annual Report
2011



Hamilton
International Airport

CONTENTS

Results at a Glance	3
Chairman and CEO's Joint Annual Report	5
Strategic Intent	10
1. Deliver sustainable airport operations for the Central North Island	11
2. Grow national and international connectivity to the region	12
3. Utilise airport property to enable economic development in the region	13
4. Develop airport capability	14
5. Deliver value to our customers	15
6. Enable our people to deliver	16
7. Develop Regional Tourism	17
Directors	18
Management Team	18
Financial Statements	19
Performance Targets	59
Statutory Information	60
Audit Report	63
Five Year Review	66
Corporate Directory	67



2011 RESULTS AT A GLANCE

KEY FACTS

\$111k
Net profit after tax representing a profitable 2010/11

\$2.03m
Normalised operational earnings before interest, tax, depreciation and amortisation up \$549k from 2010
Normalised earnings exclude Titanium Park transactions, grant income, judicial proceeding expense and changes to value of property and interest rate swaps

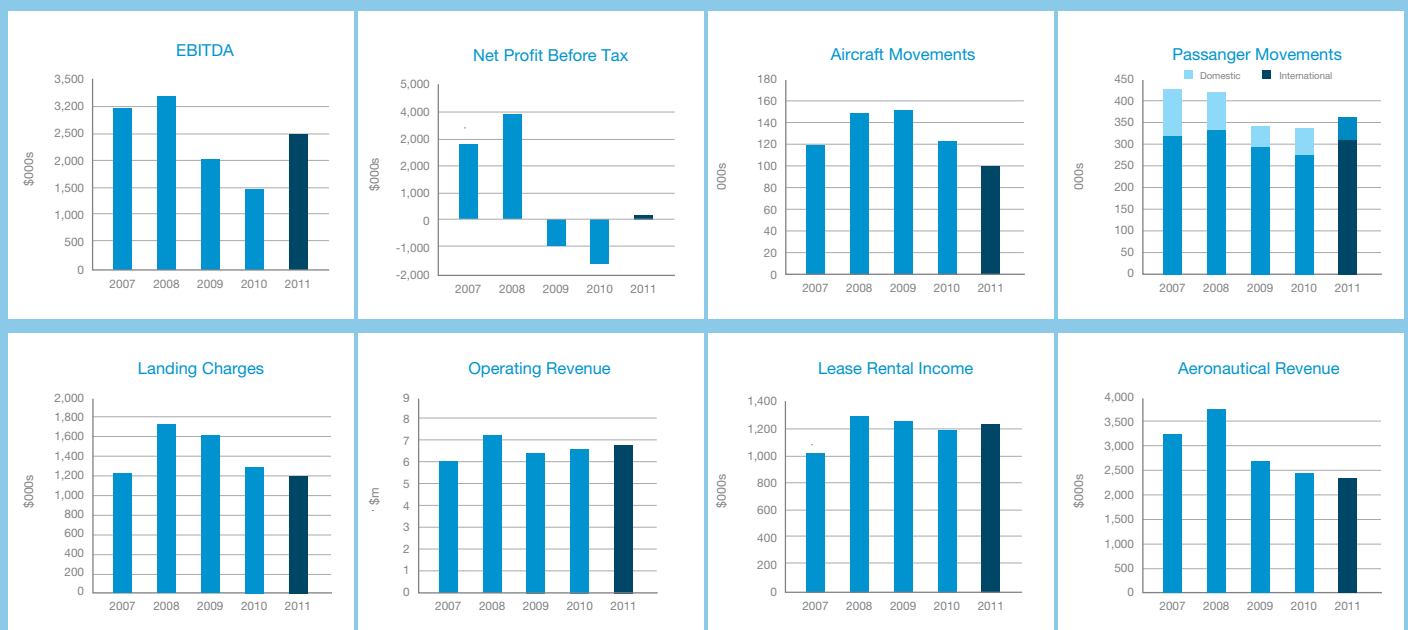
102k
Aircraft movements down 21k from 2010

316k
Domestic passenger numbers up 36k from 2010

46k
International passenger numbers down 7k from 2010

Tourism Initiative
Successfully spawned a regional tourism organisation

Projects
Completed runway designation planning with approval granted in August 2011
Formation of 240m Runway End Safety Area to north of sealed runway
Secured Paint Facility as a strategic aviation cluster tenant to the airport





CHAIRMAN AND CEO'S JOINT ANNUAL REPORT

The 2010/11 year represented a profitable year for Hamilton International Airport ("HIA"). Key airport highlights and outcomes include:

- The first full financial year of Pacific Blue's (Virgin Group) international operations to Australia.
- Consistent growth in domestic passenger numbers – signalling an important uplift in domestic travel.
- The successful spawning of a Regional Tourism Organisation ("RTO") - to actively present and promote the destination and support services and inbound tourism numbers.
- A successful outcome in judicial review proceedings with New Zealand Customs Service ("Customs") - involving passenger processing charges.
- The commencement of a new aviation paint facility on HIA land - continuing the support of the aviation cluster located at the airport.

There have been two significant announcements post balance date:

- The airport has achieved a major milestone in its development with the announcement that the airport has secured approvals to extend the runway (an option) to just short of 3000m when there is a business case.
- Significant progress has also been made within Titanium Park property development with a substantial land area under contract.

FINANCIAL PERFORMANCE

The 2010/11 year result is an after tax profit of \$111k marking a return to profitability for the airport. The improved performance comes from a full financial year of earnings from international travel, and continued growth of domestic travel.

The profit result for the first six months was particularly pleasing. However, the second six months was affected by global financial pressures together with a series of natural disasters including the Queensland floods, Christchurch earthquake and volcanic ash clouds. These events disrupted international and domestic services and aircraft loading levels nationwide.

An operational EBITDA of \$2.03m is an improved result (14%) over budget of \$1.77m. The favourable outcome of the judicial review proceedings against Customs together with continued tight cost controls helped contribute to this positive end of year result.

Particularly pleasing is the continuation of Hamilton's international services and the improving domestic market. Additional domestic capacity contributed towards a better than expected result for the company's aeronautical activities.

Titanium Park land sales anticipated for late in the 2010/11 year have occurred post balance date in August. This is a pleasing outcome and will contribute to the result for next year.

Valuations of property, buildings, and aeronautical assets together with associated taxation effects resulted in a net gain of \$210k, with increases in building and land valuations directly offsetting reductions in aeronautical asset values.

"Improved profit result in 2010/11"



JOHN BIRCH - Chairman

AIRPORT OPERATIONS

Over the last year a number of capital and maintenance projects were delivered to develop capability and protect core assets.

As part of HIA's Civil Aviation Authority compliance program, the airport completed civil works associated with the required formation of a 240m Runway End Safety Area ("RESA") to the north of the existing sealed runway – including improved drainage, security fencing, and extension to the existing airport perimeter road.

In addition to the RESA sealing, the existing runway landing threshold was relocated to the northern end of the current seal – enabling an increase in landing distance.

Other projects completed this year include:

- Successful first year of operation of the new 652m General Aviation ("GA") runway and 500m taxiway – allowing pilot training on the GA runways to continue year round.
- Pavement maintenance to outer areas of the main runway starter extension, crack sealing works to main runway and taxiway, and apron markings.
- Commencement of the Ingram Road extension, those roading works enabling access to the paint facility and other local lots.
- In accordance with the provisions of HIA's storm water resource consent, erosion impacts associated with the Mystery Creek stream tributaries were mitigated with appropriate drainage works.
- An investment in trials of high endophyte grass is underway. This replaces traditional grasses and discourages bird activity around the runway, thereby reducing the likelihood of bird strikes.

SAFE, SECURE, AND COMPLIANT

The airport continued to meet its Civil Aviation Authority certification obligations in operating a domestic and international airport. Successful audits regarding safety and security operational requirements were completed through the year.

RUNWAY EXTENSION OPTION SECURED

As part of the airport's long term master planning to 2030, the airport embarked on a runway designation application to Waipa District Council to secure the right to extend the main commercial runway seal up to 3000m when required in the future.

The airport has achieved a major milestone in its history with the announcement that the application has been successful.

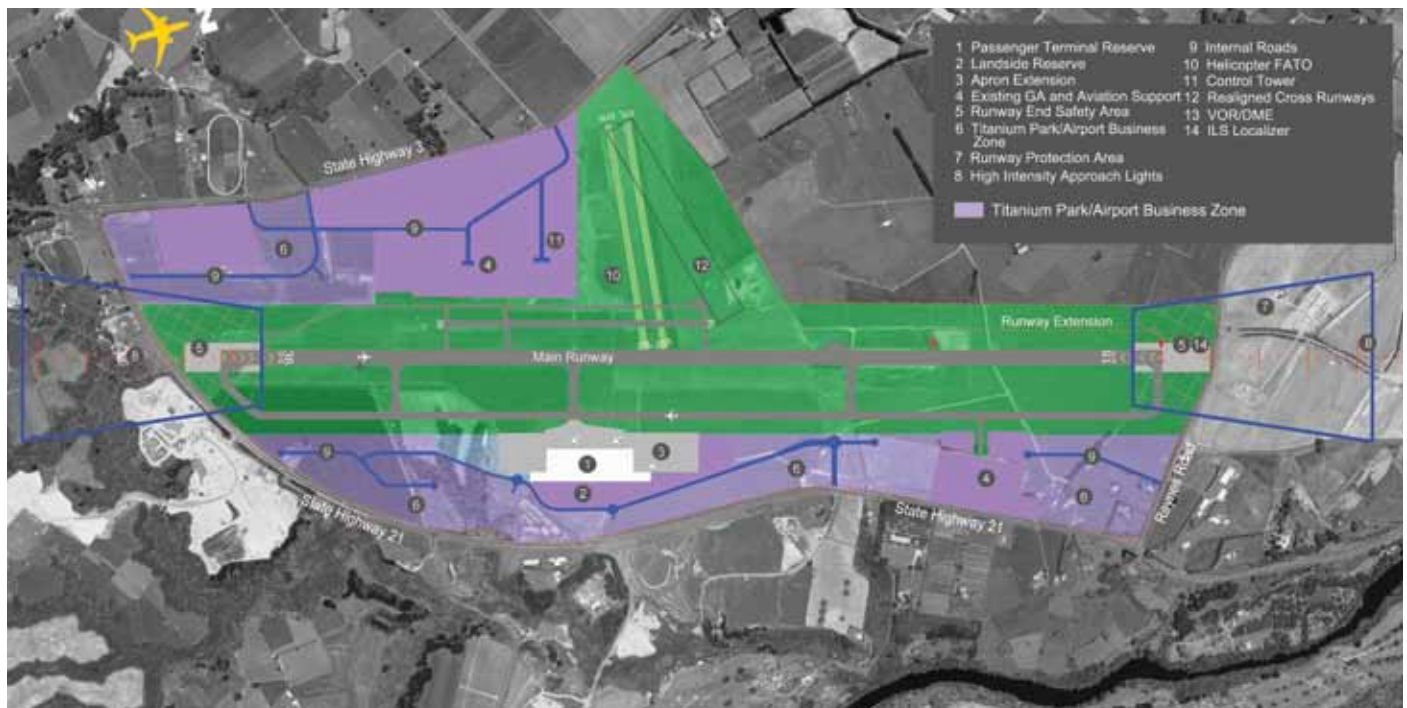
Independent commissioners conducted the plan change and designation hearing at Waipa District Council chambers over three days in March and May, concluding on May 30th.

HIA sought to protect the option of extending the existing 2,200m runway to approximately 3,000m for when there is a business case to provide for future demand. This would also have the effect of providing continuity of connection into the North Island - in disaster recovery situations - should Auckland International Airport be closed from a natural disaster.

In time, the airport's vision is to become a low cost secondary airport gateway into New Zealand. There is still significant activity required to complete the business case and capital funding models.

The planning approvals will allow the airport to begin to identify suitable partners to help make this project successful.

RUNWAY EXTENSION OPTION SECURED





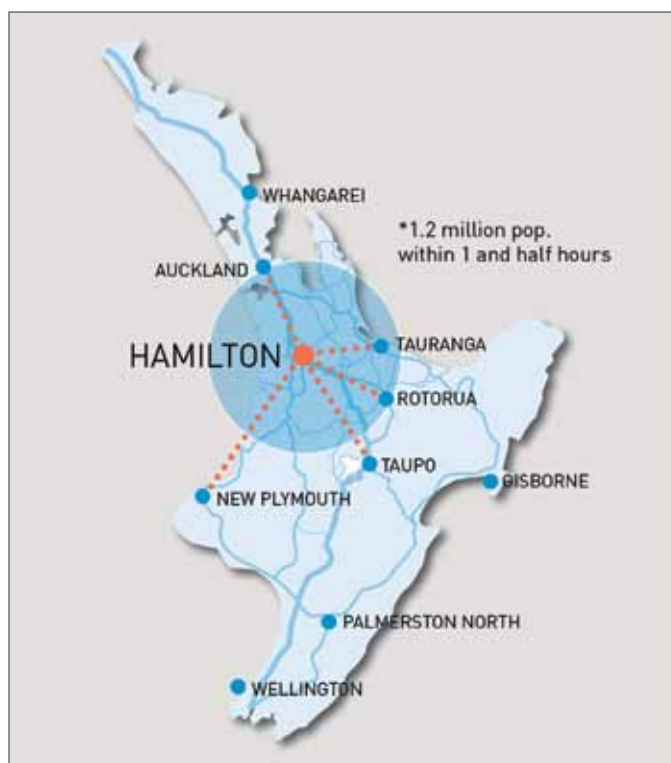
CHRIS DOAK - Chief Executive Officer

PASSENGER NUMBERS

The airport's central location means that within 90 minutes drive of the airport there are approximately one million people. There are five airports servicing this region making HIA's Central North Island catchment arguably the most competitive in New Zealand.

In the last year significant progress has been made by Air New Zealand and Virgin Australia to establish an airline alliance. This signals the on-set of airline competition between Air New Zealand / Virgin Group and Qantas / Jet Star.

Location from Hamilton	Time (hour:mins)	Distance (km)
Auckland	1:30	133
Tauranga	1:10	97
Rotorua	1:10	99
Taupo	1:35	145
New Plymouth	2:45	230



SOUTHERN LINKS PLANNING

State Highways 1, 3 and 21 surround the airport giving easy access from the north and south. In time, motorway access will continue to be improved with the Waikato expressway and the Hamilton Southern Links projects - currently under review - enhancing the connection of the airport to the city and surrounding Central North Island cities and districts.

INTERNATIONAL SERVICES

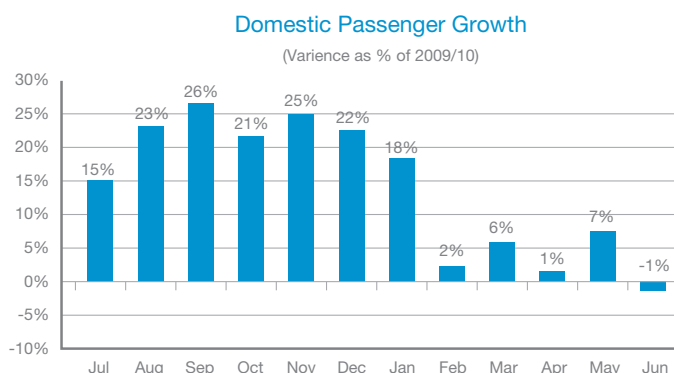
Pacific Blue carried 45,877 international passengers in 2010/11, down 14% from last year. While additional capacity was added to the Brisbane route in August with an increase from three to four flights per week, fewer flights operated this year given the cessation of Sydney services.

The Queensland floods severely affected international passenger numbers. Going forward, Pacific Blue will operate in partnership with Air New Zealand under their airline alliance enabling both airlines to sell the other airlines tickets.

AIRCRAFT MOVEMENTS

There were 102,000 air movements this year compared to 123,000 in the previous year. CTC Pilot training facility has announced new training contracts that are expected to result in an increase in aircraft movements and landings in 2011/12.

DOMESTIC PASSENGER GROWTH CONTINUED



In 2010/11, 316,000 domestic passengers passed through the airport, a 13% increase on 2009/10. The first six months of the year tracked on average 23% ahead of 2009/10 with the Christchurch earthquakes suppressing growth for the remainder of the year. With 2009/10 representing the lowest year for domestic passengers since 2002/03, 2010/11 has set a path for recovery.

The recovery of domestic passenger numbers has been particularly pleasing noting that there has been high volatility given the series of natural disasters which affected not only Hamilton flights and passenger numbers but airport results nationwide.

Load factors throughout the year have continued to be high, again suggesting opportunity for capacity growth. Domestic competition on airfares out of Auckland and capacity constraints will continue to impact on growth.





TITANIUM PARK - PROPERTY DEVELOPMENT



Titanium Park forms a large commercial subdivision which will provide for regional growth over the next 15 years.

Titanium Park is an equal interest Joint Venture between Waikato Regional Airport Limited ("WRAL") and McConnell Property Limited.

With a substantial land area under contract, park development appears ready to flourish.

COMMUNITY CONTRIBUTION

A series of key performance measures that attempt to better describe the airport's contribution to the local economy are in development. Notwithstanding contribution from tourism, the importance of the airport's economic activity is illustrated by the surrounding precinct employing several hundred people and accommodating approximately 300 trainee pilots over the course of the year.

In the last year the airport has played a role in several initiatives that are enabling regional outcomes including input into the aviation cluster, the paint facility, and spawning a regional tourism organisation.

Going forward, the airport is reviewing the development of 'rules of thumb' to better measure its impact on the local economy including:

- Selling or leasing commercial/industrial land (m2)
- Building developments on airport (m2)
- Aviation employment (numbers)
- Regional \$ benefit of direct international services
- Regional \$ benefit of domestic services

TOURISM

Over the past two years HIA has provided regional tourism marketing and development functions for the Hamilton and Waikato region. This function focused on achieving three primary objectives:

1. Supporting the airport gateway to the Hamilton and Waikato region and Central North Island.
2. Promoting and developing the Hamilton and Waikato region as a tourism destination.
3. Developing a strategy, structure and funding model for a regional tourism entity to be established by July 2011.

The success of this endeavour has been demonstrated by support and funding from:

- WRAL's five Shareholders and two other regional councils (Waitomo and South Waikato).
- New Zealand Trade & Enterprise.
- Central Government's tourism fund.
- Pacific Blue and HIA.
- Other RTO partnership investments.

It is most satisfying that in July 2011 this initiative spawned into an independent structure as planned in support of region wide destination marketing. The airport will continue to support this initiative going forward where possible.

The new RTO will operate as a wholly owned subsidiary of WRAL and remains located in premises at the airport.

AVIATION CLUSTER AND PILOT TRAINING



CTC pilot training on airport

HIA is home to the Aviation Industry Cluster (AIC), an amalgamation of approximately 30 aviation businesses working together to grow light aircraft manufacturing, aircraft maintenance and the airline pilot training industries. This cluster is viewed by HIA as a significant source of potential growth at the airport.

HIA continues to support the cluster through the provision of airside access land for projects such as the aircraft paint facility, and providing aerodrome support for pilot training.



The AIC in conjunction with private investors is investing in a specialist aviation paint facility on the western side of the aerodrome that meets the quality standards, price requirements, and throughput requirements of the wider aviation industry.

The facility is to open at the end of 2011 and is expected to be a catalyst for attracting other aviation businesses to Hamilton.



Stage 1 Paint facility under construction

AIRPORT IN THE COMMUNITY

The airport, in conjunction with CTC pilot training school, and representatives from Waipa District Council, has operated an Airport Community Liaison Group. The purpose of this group is to manage and where possible mitigate the impacts of aircraft noise on the local community. An independent chairman together with active participation from local residents resulted in a reduction in the number of noise complaints during the year.

IN CONCLUSION

The support of the airport's five Shareholders is acknowledged and gratefully accepted.

We would like to acknowledge the commitment, tenure and delivery by Chairman Jerry Rickman who stepped down from the role of Chairman in December 2010.

Jerry joined the airport as a Director in 2003, and was elevated to role of Chairman in 2006. Jerry's pragmatic contribution has guided the airport through significant investments and change including: land developments; new terminal; re-pricing; airline attraction; and re-establishment of regional tourism. We would like to acknowledge Jerry's dedication and contribution and wish him all the best in his future activities.

Existing Director John Birch was appointed Chairman at this time and Greg Thompson – an independent Director and partner of Russell McVeagh - has come on to the board.

“the Air New Zealand – Virgin Australia alliance will play an important role going forward”

The Chairman and CEO would like to acknowledge staff that left during the 2010/11 year.

Commercial Manager Andrew Toop played an important role in the development of many airport initiatives, including the runway designation consent process, and we wish him well.

The airport's tourism and marketing team, Kiri Goulter and Rebecca Evans have now moved into the RTO. We acknowledge their efforts in helping rebuild the region's marketing and promotional activities and wish the new team every success.

To the airport's domestic and international travellers, as always we encourage you to use HIA's services which lessens the risk of losing services. Your continued loyalty helps the airport protect and grow services on your behalf.

The next year will be another year of managing significant risks and opportunity as competition between airlines play out in the market. Regional airport revenues are driven directly from airline ticket sales and we will watch with interest competition between aviation alliances.

J BIRCH - Chairman

C.G DOAK - Chief Executive Officer

STRATEGIC INTENT

The airport has identified seven strategic goals that recognise the strategic intent of the business:

1. Deliver sustainable airport operations for the Central North Island.
2. Grow national and international connectivity to the region.
3. Utilise airport property to enable economic development in the region.
4. Develop airport capability.
5. Deliver value to our customers.
6. Enable our people to deliver.
7. Develop Regional Tourism.





1. DELIVER SUSTAINABLE AIRPORT OPERATIONS FOR THE CENTRAL NORTH ISLAND

Objectives:

- Ensure the company has a suitable financial structure to accommodate business and industry risk.
- Develop regulated and non-regulated income diversity.
- Maintain appropriate costs and pricing structures.
- Operate a safe and secure airport environment.
- Manage business and regulatory risk.
- Optimise company assets.
- Act as a good corporate citizen.

Achievements:

- Completed applications for airport designations in support of the aeronautical requirements in the 2030 master plan.
- Updated strategy and strategic financials in support of the rolling ten year capital and maintenance programs.
- Initiated review of airport banking facility arrangement.
- Reviewed business risk using recognised systems and procedures.
- Leased available land to new tenants in communications and aviation sectors.
- Airport continues to meet CAA Audit obligations.
- Supported international low cost airline Pacific Blue.
- Delivery of the Community Liaison Group - Noise Management Plan to manage airport noise related issue outcomes on behalf of the community.
- Supported the local Aviation Cluster and the Waikato Aero Club objectives.

2. GROW NATIONAL & INTERNATIONAL CONNECTIVITY TO THE REGION

Objectives:

- Retain airline to provide for international flights.
- Increase domestic passengers numbers.
- Develop effective feeder transport networks to/from Hamilton airport.
- Promote HIA capability to national and international operators.
- Attract an additional airline to provide for scheduled domestic flights.

Achievements:

- Delivered full financial year of trans - Tasman flights with Pacific Blue.
- Continued connection with other Australian and worldwide ports achieved via interlining with Virgin, Virgin Australia (Virgin Blue Subsidiary) and Cathay Pacific.
- Delivery of trans - Tasman inbound regional marketing and promotion strategy.
- Presented market opportunities for potential routes.
- Steady growth in domestic passenger numbers.





3. UTILISE AIRPORT PROPERTY TO PROMOTE ECONOMIC DEVELOPMENT IN THE REGION

Objectives:

- Support Titanium Park Limited in its role as a party to Titanium Park Joint Venture.
- Sell identified non strategic land.
- Work with development agencies and aviation cluster to promote business activity around the airport.
- Provide appropriate infrastructure and market rental rates for tenants on airport land.

Achievements:

- Marketing of Titanium Park.
- Contracted 12Ha of industrial commercial land – representing the entire stage one Raynes Rd Precinct.
- Sale of 3,500 sq meters non-strategic land.
- Reviewed tenant agreements as appropriate.
- Started extension to Ingram Road on western side of airfield to facilitate site development.
- Made available and leased land of approximately 6000 sq meters for operation of a specialised paint facility for aviation purposes.

4. DEVELOP AIRPORT CAPABILITY

Objectives:

- Secure runway designation to support future expansion of international services.
- Provide and deliver appropriate infrastructure for General Aviation aircraft use.
- Ensure infrastructure (eg. RESA) meets CAA requirements.

Achievements:

- Delivered application and hearings for plan change 69 Runway Designation project - gaining approvals in August for the option to extend to 3000m including:
 - review of airport noise boundaries
 - extended runway designations
 - lighting and navigation requirements.
- Successful first year of operation of the new General Aviation runway and taxiway – in support of local aviation businesses and pilot training.
- Attracted and supported a new Paint Facility to be located on airport's western side associated with the aviation cluster.
- Designated and delivered extended landing distance on runway 18L allowing full use of the current seal.





5. DELIVER VALUE TO OUR CUSTOMERS

Objectives:

- Provide quality retail services within the terminal.
- Maintain the terminal as a clean and safe environment.
- Ensure high availability of the airport.
- Maintain effective partnerships with terminal tenants.

Achievements:

- Maintained profitable airport Paper Plus operation in support of the traveller's needs.
- Daily audits of terminal cleanliness.
- Airport 100% available (excluding weather events).
- Increased flight capacity to HIA's main domestic routes (Christchurch and Wellington).
- Provided direct trans - Tasman flights for the community with discounted international car parking.
- Successfully operated the Community Liaison Group noise management committee to help manage interaction and outcomes on behalf of the local community.
- Monitored customer feedback and delivered remedial activity when appropriate.

6. ENABLE OUR PEOPLE TO DELIVER

Objectives:

- Have ethical skilled staff to deliver the strategic plan.
- Foster accountability and performance as core values.
- Develop working environment where staff feel valued and achieve.

Achievements:

- Conducted a structural review – implementing changes.
- Provided industry/competency based training for identified staff.
- Reviewed and established separate tourism team based around required competencies.
- Attendance at aviation industry conferences including participation in industry and regulatory reviews.





7. DEVELOP REGIONAL TOURISM

Objectives:

- To support Hamilton International Airport's airline attraction and traveller demand strategies.
- To undertake core regional marketing and development activities that promotes Hamilton/Waikato and the Central North Island as an attractive tourism destination.
- To work with Local Authorities, tourism industry and stakeholders to successfully spawn a regional tourism entity by 30 June 2011.

Achievements:

- Delivered a range of domestic and international marketing campaigns and activities promoting the region as an attractive destination to consumers, tourism trade and media.
- Participation in the Central North Island collective Great New Zealand Touring Route, collaborative marketing activities undertaken.
- Secured \$190k from central government of matched funding for marketing in Australia in partnership with airport, Pacific Blue and tourism industry.
- Supported a range of tourism product development initiatives.
- Delivered annual conference and forum for tourism industry and stakeholders.
- Completion of report detailing strategy, structure and funding model for the establishment of a Regional Tourism Organisation.
- Successfully negotiated structure and funding with the region's seven councils achieving a full regional approach to destination marketing and development.
- Spawned a separate Regional Tourism Organisation – as final delivery of the airport's service level agreement with Shareholders.

BOARD OF DIRECTORS



JOHN BIRCH
Chairman



ALASTAIR CALDER
Director



GAY SHIRLEY
Director



GREG THOMPSON
Director

AIRPORT MANAGEMENT



CHRIS DOAK
Chief Executive



SIMON HOLLINGER
Operations Manager



JON CURRAN
Chief Financial Officer

TOURISM MANAGEMENT



KIRI GOULTER
Regional Tourism Manager



REBECCA EVANS
Marketing Manager

INDEX TO THE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME	20
STATEMENT OF CHANGES IN EQUITY	21
BALANCE SHEET	22
STATEMENT OF CASH FLOWS	24
NOTES TO THE FINANCIAL STATEMENTS	25

Notes to the Financial Statements

1. Statement of Accounting Policies	25
2. Financial Risk	32
3. Payables and Accruals	32
4. Trade and other Receivables	32
5. Commitments	33
6. Contingent Liabilities	33
7. Cash and Cash Equivalents	33
8. Term Deposits	34
9. Property, Plant & Equipment	34
10. Term Liabilities	36
11. Equity	37
12. Loans to Subsidiary	38
13. Investment in Subsidiary	39
14. Related Party Transactions	39
15. Events Occurring After Balance Date	40
16. Operating Revenue	40
17. Other Gains/(Losses)	41
18. Financial Instruments	41
19. Reconciliation of Net Surplus After Tax to Net Cash from Operating Activities	47
20. Depreciation & Amortisation of Assets by Class	48
21. Income Taxation	49
22. Deferred Tax Liabilities	51
23. Other Assets	52
24. Employee Benefit Expenses	52
25. Employee Entitlements	52
26. Lease Receivables	53
27. Derivative Financial Instruments	53
28. Other Financial Assets	53
29. Properties For Sale	54
30. Investment Property	54
31. Categories of Financial Assets & Liabilities	55
32. Intangible Assets	56
33. Asset Impairment	57
34. Directors' Fees	57
35. Donations	57
36. Performance Targets and Results	57

STATUTORY INFORMATION	60
AUDIT REPORT	63
FIVE YEAR REVIEW	66
CORPORATE DIRECTORY	67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2011

	NOTE	PARENT \$000		GROUP \$000	
		2011	2010	2011	2010
Revenue					
Operating revenue	16	6,596	6,515	6,708	6,587
Other gains	17	362	59	362	59
Finance income		427	238	18	7
TOTAL REVENUE		7,386	6,812	7,087	6,654
Expenses					
Operating expenses		2,593	2,984	2,616	3,030
Employee benefit expenses	24	1,798	1,734	1,798	1,734
Bad debts written off		2	0	4	3
Depreciation and amortisation	20	1,586	1,571	1,586	1,571
Directors' fees	34	100	104	105	111
Finance costs		805	561	805	561
Remuneration of auditor					
- Audit fees financial statements		65	49	73	61
Other losses	17	57	538	57	1,170
Asset impairment/revaluation deficit	33	0	0	0	0
TOTAL EXPENSES		7,007	7,540	7,044	8,240
Operating surplus/(loss) before taxation		379	(728)	43	(1,586)
Taxation	21	25	4,264	(68)	4,022
OPERATING SURPLUS/(LOSS) AFTER TAXATION	19	354	(4,992)	111	(5,608)
Gain/(loss) on property revaluation	11	210	(7,569)	210	(7,569)
TOTAL OTHER COMPREHENSIVE INCOME		210	(7,569)	210	(7,569)
TOTAL COMPREHENSIVE INCOME		564	(12,561)	322	(13,177)
Total comprehensive income attributable to:					
Equity holders of the parent		564	(12,561)	322	(13,177)

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	NOTE	PARENT \$000		GROUP \$000	
		2011	2010	2011	2010
Balance at 1 July		61,513	74,074	58,462	71,639
Total comprehensive income		564	(12,561)	322	(13,177)
TOTAL EQUITY AT THE END OF THE YEAR		62,078	61,513	58,784	58,462
Total comprehensive income attributable to					
Equity holders of the parent		564	(12,561)	322	(13,177)

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with, the Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	NOTE	PARENT \$000		GROUP \$000	
		2011	2010	2011	2010
Equity					
Share capital	11	14,860	14,860	14,860	14,860
Asset revaluation reserve	11	27,926	27,716	27,926	27,716
Retained earnings	11	19,291	18,937	15,997	15,886
SHAREHOLDER EQUITY		62,078	61,513	58,784	58,462
Represented by:					
Current assets					
Cash and cash equivalents	7	285	170	311	206
Trade and other receivables	4	1,302	799	532	463
Prepayments		121	126	121	126
Loans to subsidiary	12	0	6,921	0	0
Properties available for sale	29	35	136	35	136
Inventories		97	89	97	89
Term Deposit	8	0	0	160	0
Work in progress - development property		0	0	11,284	10,979
		1,839	8,241	12,539	11,998
Current liabilities					
Term liabilities – current portion	10	6,700	0	8,683	0
Derivative financial instruments	27	974	937	974	937
Payables and accruals	3	1,076	875	1,126	927
Employee entitlements	25	202	202	202	202
Income in advance		225	270	225	270
		9,177	2,284	11,210	2,336
WORKING CAPITAL SURPLUS		(7,337)	5,957	1,330	9,662

CONSOLIDATED BALANCE SHEET cont

As at 30 June 2011

	NOTE	PARENT \$000		GROUP \$000	
		2011	2010	2011	2010
Non current assets					
Property, plant and equipment	9	61,847	62,674	61,847	62,674
Investment property	30	3,640	3,594	3,640	3,594
Other financial assets	28	26	26	26	26
Intangible assets	32	20	20	20	20
Investment in subsidiary	13	4,750	4,750	0	0
Loans to subsidiary	12	7,105	0	0	0
Term deposit	8	0	0	0	160
Other assets	23	129	138	129	138
		77,517	71,202	65,662	66,612
Non current liabilities					
Term loans	10	0	7,250	0	9,218
Deferred property settlement	10	0	0	500	500
Deferred taxation	22	8,102	8,395	7,708	8,095
		8,102	15,645	8,208	17,812
NET ASSETS		62,078	61,513	58,784	58,462

The accompanying Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with, the Financial Statements.



Director
9 September 2011



Director
9 September 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	NOTE	PARENT \$000		GROUP \$000	
		2011	2010	2011	2010
Cash flow from operating activities					
Operating revenue		7,574	7,521	7,683	7,613
Interest received		8	6	18	7
Payments to suppliers and employees		(5,061)	(5,084)	(4,684)	(5,076)
Income taxes refunded (paid)		0	0	0	0
GST (net)		(514)	(469)	(494)	(487)
Interest paid		(775)	(612)	(775)	(612)
Costs of development property		0	0	(724)	(5,698)
NET CASH FROM OPERATING ACTIVITIES	19	1,232	1,362	1,023	(4,253)
Cashflow from investing activities					
Proceeds from sale of property, plant and equipment		4	90	4	90
Proceeds from sale of properties available for sale		393	0	393	0
Costs of properties available for sale		(11)	(22)	(11)	(22)
Investment in subsidiary		0	0	0	0
Loans to subsidiary		(184)	(3,832)	0	0
Funds placed on deposit		0	0	0	(160)
Purchase of property, plant and equipment		(769)	(1,323)	(769)	(1,323)
NET CASH FROM INVESTING ACTIVITIES		(568)	(5,087)	(383)	(1,415)
Cashflow from financing activities					
Proceeds from borrowings		0	0	0	1,968
Shareholder call on capital		0	12,000	0	12,000
Repayment of borrowings		(550)	(8,375)	(534)	(8,375)
NET CASH FROM FINANCING ACTIVITIES		(550)	3,625	(534)	5,593
Net increase in cash and cash equivalents		114	(100)	105	(75)
Cash and cash equivalents at the beginning of the year		170	269	206	279
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	285	170	311	206

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The financial statements are those of Waikato Regional Airport Limited (trading as Hamilton International Airport). Waikato Regional Airport Limited ('the Company') is a company registered under the Companies Act 1993, and a reporting entity for the purposes of the Financial Reporting Act 1993 and a Council Controlled Organisation under the Local Government Act 2002.

The Group consists of Waikato Regional Airport Limited and its subsidiary Titanium Park Limited ('TPL').

The primary objective of Waikato Regional Airport Limited is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Waikato Regional Airport Limited has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financing Reporting Standards (NZ IFRS).

The financial statements of Waikato Regional Airport Limited are for the year ended 30 June 2011. The financial statements were authorised for issue by the Board of Directors on 9 September 2011.

Basis for Preparation

The financial statements of the Company have been prepared in accordance with the Companies Act 1993, the Local Government Act 2002, the Airport Authorities Act 1966 and the Financial Reporting Act 1993.

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

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, investment property, and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand Dollars. The functional currency of Waikato Regional Airport Limited is New Zealand Dollars.

Subsidiary and Consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like item of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation. Titanium Park Limited is a participant in Titanium Park Joint Venture. The Subsidiary's interest in the Joint Venture is accounted for using the line by line (proportionate) method of consolidation.

The Company's investment in its subsidiary is carried at cost in the parent entity financial statements.

Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

a) Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

b) Cash and Cash Equivalents

Cash and cash equivalents 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

c) Inventories

Stock on hand has been valued at the lower of cost and net realisable value on the first-in, first-out basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

d) Property, Plant and Equipment

Property, plant and equipment consist of:

- Operational Assets - These include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- Infrastructure Assets – These include runways, aprons and taxiways, other paved areas and underground-reticulated systems.

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Classification

There are eight classes of property, plant and equipment:

- Freehold Land
- Freehold Buildings
- Runways, Aprons and Taxiways
- Other Paved Areas
- Motor Vehicles
- Plant & Equipment, Computer Equipment and Furniture & Fittings
- Fencing
- Underground Reticulated Systems

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/loss.

Subsequent Costs

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.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the assets over their estimated useful lives.

The estimated useful lives of the major classes of assets are:

Buildings	40 - 50 years
Runways, Aprons and Taxiways	2 - 55 years
Other Paved Areas	40 years
Motor Vehicles	5 - 15 years
Furniture and Fittings	3 - 10 years
Plant and Equipment	3 - 10 years
Computer Equipment	2 - 4 years
Fencing	5 - 15 years
Reticulated Systems	8 - 15 years

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

Revaluation

Those asset classes that are revalued are valued on a five-yearly valuation cycle on the basis described below. All other assets are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Operational Land and Buildings

At fair value determined from market-based evidence. All valuations are undertaken or reviewed by an independent registered valuer and are usually carried out on a five-yearly cycle.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Infrastructure Assets

At fair value determined on a depreciated replacement cost basis by an independent registered valuer and are usually carried out on a five-yearly cycle.

e) Intangible Assets

Software Acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Company's website are recognised as an expense when incurred.

Amortisation

Computer software licences are amortised on a straight-line basis over their estimated useful life of three years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the surplus/loss.

f) Taxation

Income tax expense in relation to the surplus or loss for the period comprises 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 rates 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 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

g) Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as 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 balance sheet.

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.

h) Investments

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/loss.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the surplus/loss.

i) Employee Entitlements

Short-term benefits

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The Company recognises a liability for sick leave to the extent that 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 that the Company anticipates it will be used by staff to cover those future absences.

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

j) Statement of Cash Flows

Operating activities include cash received from all income sources of the Company and record 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.

k) Financial Instruments

The Company is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include a bank overdraft facility and interest rate swap agreements. The Company enters into interest rate swap agreements to reduce the impact of changes in interest rates on its borrowings. Any difference to be paid is accrued as interest rates change, and is recognised as a component of interest expense over the life of the agreement.

Revenues and expenses in relation to all financial instruments are recognised in the surplus/loss and are shown in the balance sheet at their estimated fair value.

l) Operating Leases

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownerships of the leased items, are recognised in the determination of the operating surplus in equal instalments over the lease term.

m) Capitalisation Policy

Capitalisation of expenditure is incurred when the expenditure was made to enable the future economic benefits embodied in an item to be obtained, and the expenditure would have been included in the cost of the item when the item was initially recognised had the expenditure been incurred at that time.

n) Revenue

Revenue is measured at the fair value of consideration received.

Operating Revenue

Operating revenue is recognised when earned.

Other Revenue

Interest income is recognised using the effective interest method.

o) Rental Income

Rental income arising on property owned by the Company is accounted for on a straight line basis over the lease term.

p) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

q) Financial assets

The Company classifies its financial assets into the following four categories:

- Financial assets at fair value through profit or loss
- Held to maturity investments
- Loans and receivables
- Financial assets at fair value through equity

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Purchases and sales of investments are recognised on trade date, the date on which the Company 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 has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash-flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

- **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus/loss.

Financial assets in this category include interest rate swaps.

- **Held to maturity**

Held to maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

- **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortisation cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/loss. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

- **Financial assets at fair value through equity**

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised in other comprehensive income except for impairment losses, which are recognised in the surplus/loss.

On de-recognition the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the surplus/deficit.

- r) **Impairment of financial assets**

At each balance sheet date the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement surplus/loss.

- s) **Accounting for derivative financial instruments**

The Company uses derivative financial instruments to hedge exposure to interest rate risks arising from financial activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The gain or loss from re-measuring derivatives at fair value is recognised in the surplus/loss.

- t) **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Company measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus/loss.

u) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cashflows.

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. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/loss.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus/loss, a reversal of the impairment loss is also recognised in the surplus/loss.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus/loss.

v) Non Current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the surplus/loss.

w) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

x) Borrowings

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

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

y) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

z) 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 the 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

have a significant risk of causing a material adjustment 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 income, and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- 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. The carrying amounts of property, plant and equipment are disclosed in note 9.

Changes in Accounting Policies

There have been no changes to accounting policies during the year.

The Company has adopted the following revisions to accounting standards during the financial year, which have only had a presentational or disclosure effect:

- Amendments to NZ IFRS 7 Financial Instruments: Disclosures. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation

inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The Company has elected to disclose comparative information.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted by the Company are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Company has not yet assessed the effect of the new standard and expects it will not be early adopted.

- NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Company has not yet assessed the effect of the new standard and expects it will not be early adopted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. FINANCIAL RISK

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings.

Risk management is carried out by the Company's Board of Directors. The Board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest-rate risk, credit risk, and investing excess liquidity.

3. PAYABLES AND ACCRUALS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Accounts payable	606	391	623	404
Accruals	470	484	503	523
TOTAL PAYABLES AND ACCRUALS	1,076	875	1,126	927

4. TRADE AND OTHER RECEIVABLES

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Gross trade and other receivables	520	437	532	463
Receivable from Titanium Park Limited (related party)	782	362	0	0
Less provision for impairment	0	0	0	0
TOTAL TRADE AND OTHER RECEIVABLES	1,302	799	532	463

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil (2010: nil).

As at 30 June 2011 and 2010 all overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below.

	2011 \$000			2010 \$000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	470	0	470	372	0	372
Past due 0-30 days	35	0	35	39	0	39
Past due 31-60 days	12	0	12	2	0	2
Past due 61-90 days	12	0	12	4	0	4
Past due > 91 days	4	0	4	46	0	46
TOTAL	532	0	532	463	0	463

The Company holds no collateral as security or other credit enhancements over receivables that are either past due or impaired. The provision for impairment has been calculated based on expected losses for the Company's pool of debtors.

Expected losses have been determined on an analysis of the Company's losses in previous periods, and review of specific debtors. Those specific debtors that are insolvent are fully provided for. As at 30 June 2011 the Company has identified no debtors that are insolvent.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

5. COMMITMENTS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Capital commitments				
Ingram Road construction	229	0	229	0
	229	0	229	0
Lease Commitments				
Share generator & cable	74	90	74	90
Vehicle	0	7	0	7
Office equipment	6	10	6	10
	80	107	80	107

OPERATING LEASE COMMITMENTS	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Less than 12 months	21	27	21	27
Between 1 and 5 years	59	80	59	80
Greater than 5 years	0	0	0	0
TOTAL OPERATING LEASE COMMITMENTS	80	107	80	107

6. CONTINGENT LIABILITIES

The Company and Group have no contingent liabilities (2010: \$369,075).

The sum at 30 June 2010 represented invoices issued by New Zealand Customs Service for passenger clearance services which the Company disputed through judicial review proceedings. The outcome of the proceedings were in favour of the Company and all invoices were deemed invalid.

7. CASH AND CASH EQUIVALENTS

CURRENT	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Cash on hand	4	5	4	5
Cash at bank	281	165	306	200
TOTAL CASH AND CASH EQUIVALENTS	285	170	311	206

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

8. TERM DEPOSITS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
CURRENT				
Term deposits	0	0	160	0
NON CURRENT				
Term deposits	0	0	0	160
TOTAL TERM DEPOSITS	0	0	160	160

The balance is invested with the BNZ with a maturity date of 1 December 2011. Interest is earned at a rate of 5.30% per annum and is paid on maturity.

9. PROPERTY, PLANT & EQUIPMENT

2011 \$000	Cost revaluation 1/7/2010	Accumulated depreciation and impairment charges 1/7/2010	Carrying amount 1/7/2010	Current year additions	Reclassification	Current year disposals	Current year depreciation	Revaluation adjustment	Cost revaluation 30/6/2011	Accumulated depreciation and impairment charges 30/6/2011	Carrying amount 30/6/2011
Land	20,998	0	20,998	0	65	0	0	1,030	22,093	0	22,093
Buildings	18,241	1,031	17,210	29	0	33	514	1,526	18,224	5	18,219
Vehicles	1,111	199	912	62	0	16	66	0	1,157	265	892
Runways, aprons & taxiways	19,223	1,325	17,898	695	0	0	647	(2,152)	15,799	5	15,794
Other paved areas	2,848	136	2,711	0	0	0	68	(379)	2,264	0	2,264
Plant & equipment	1,274	830	444	48	0	5	73	0	1,317	903	414
Computer equipment	128	84	44	20	0	6	26	0	143	110	33
Furniture & fittings	1,240	560	680	2	0	0	86	0	1,243	645	597
Fencing	568	108	460	1	0	0	36	96	555	34	521
Reticulated systems	1,537	220	1,317	0	0	0	66	(230)	1,020	0	1,020
	67,168	4,495	62,674	857	65	60	1,582	(109)	63,815	1,967	61,847

The total amount of property, plant and equipment in a construction/development phase is \$1,103,314 (2010: \$408,626).

The above amounts represent those of Parent and Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2010 \$000	Cost revaluation 1/7/2009	Accumulated depreciation and impairment charges 1/7/2009	Carrying amount 1/7/2009	Current year additions	Reclassification	Current year disposals	Current year depreciation	Revaluation movement	Cost revaluation 30/6/2010	Accumulated depreciation and impairment charges 30/6/2010	Carrying amount 30/6/2010
Land	28,997	0	28,997	0	(11)	0	0	(7,988)	20,998	0	20,998
Buildings	18,241	517	17,725	0	0	0	514	0	18,241	1,031	17,210
Vehicles	1,075	408	667	344	0	31	69	0	1,111	199	912
Runways, aprons & taxiways	18,445	696	17,749	778	0	0	630	0	19,223	1,325	17,898
Other paved areas	2,848	68	2,780	0	0	0	68	0	2,848	136	2,711
Plant & equipment	1,250	764	486	24	0	0	66	0	1,274	830	444
Computer equipment	102	65	37	26	0	0	20	0	128	84	44
Furniture & fittings	1,164	466	698	76	0	0	94	0	1,240	560	680
Fencing	568	72	496	0	0	0	36	0	568	108	460
Reticulated systems	1,537	147	1,390	0	0	0	73	0	1,537	220	1,317
	74,227	3,202	71,024	1,249	(11)	31	1,571	(7,988)	67,168	4,495	62,674

The above amounts represent those of Parent and Group.

VALUATION

ASSET CLASS	VALUATION APPROACH	VALUER	FAIR VALUE \$000
Land	Fair market, highest and best use basis determined from prevailing market-based evidence and conditions	Quotable Value Limited	\$22,093
Building & security fencing	Fair market or, where appropriate, depreciated replacement cost	Quotable Value Limited	\$18,703
Runways, taxiways, aprons & other paved areas	Optimised depreciated replacement cost	Beca Valuations Ltd	\$16,935
Reticulated systems	Optimised depreciated replacement cost	Beca Valuations Ltd	\$1,020

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The effective date of both Quotable Value Limited and Beca Valuations Ltd valuations is 30 June 2011.

At 30 June 2011, 1.26 hectares of land previously classified as properties available for sale was reclassified as property, plant and equipment. The fair value of that land was determined by Quotable Value Limited at 30 June 2011 (\$1,095,000). All other land was revalued with an effective date of 30 June 2010 (\$20,998,000).

The total value of land at 30 June 2011 is \$22,093,000.

Due to minor assets not being revalued, there is a difference between the fair value disclosed for each asset class and the carrying amount.

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.

10. TERM LIABILITIES

ASB Bank Loan Facilities

At 30 June 2011 the Company had the following facilities with the ASB Bank:

- i. An overdraft facility of \$100,000 repayable on demand. The interest rate on this facility is the ASB Bank's business lending base rate.
- ii. A Revolving Cash Advance Facility (RCAF) of up to \$9,819,000 that matures on 8 November 2011. The amount outstanding on this facility at 30 June 2011 was \$6,700,000 (2010: \$7,250,000).
- iii. An interest rate hedging facility which allows the Company to hedge the interest rate risk relating to the RCAF.

These facilities are secured by a charge over uncalled capital.

BNZ Bank Loan Facilities

At 30 June 2011 Titanium Park Joint Venture had a loan with the BNZ Bank. The amount outstanding on this facility at 30 June 2011 was \$3.977m. Interest is currently charged at the rate of 7.00% per annum. The facility expires on 2 December 2011.

The loan facility is secured by way of:

- A first ranking mortgage over the development land of Titanium Park Joint Venture excluding land purchased in 2008 from C H & M M Smith, and on which additional mortgage finance is held.
- A General Security Agreement over all property of Titanium Park Limited.
- A General Security Agreement over all property of Titanium Park Development Limited.
- An agreement for set-off and security interest in respect of deposits held with Bank of New Zealand by Titanium Park Limited and Titanium Park Development Limited.

Deferred Property Settlement - Titanium Park Joint Venture

The Joint Venture has purchased a section of land which borders airport land and is referred to as the Smith Block. There is a vendor mortgage of \$1,000,000 for the residual purchase price (Titanium Park Limited's half share being \$500,000) secured over the purchased land. Interest is paid on the vendor loan at a rate of 8.5% per annum, paid quarterly in arrears with first payment date made 3 October 2009. The mortgage is due for repayment on 3 July 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

11. EQUITY

	GROUP 2011		GROUP 2010	
	No. 000s	\$000	No. 000s	\$000
Ordinary shares issued				
Balance of shares as at 1 July	4,974	24,460	4,974	24,460
Less uncalled capital	939	9,600	939	9,600
ISSUED & CALLED SHARES AT 30 JUNE	4,034	14,860	4,034	14,860
Less called but unpaid	0	0	0	0
Issued paid shares at 30 June	4,034	14,860	4,034	14,860

As at 30 June 2011 the Parent Company had 939,334 shares of uncalled capital at \$9,599,993 provided by Shareholders as security for existing and future borrowings associated with airport developments. As at 30 June 2011 Titanium Park Limited had 100 shares of uncalled capital at \$100.

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

The shareholding of Waikato Regional Airport Limited as at 30 June 2011 is as follows:

Shareholder	No of Shares	Percentage
Hamilton City Council	2,486,752	50.000 %
Waipa District Council	777,110	15.625 %
Matamata-Piako District Council	777,110	15.625 %
Waikato District Council	777,110	15.625 %
Otorohanga District Council	155,422	3.125 %
	4,973,504	100.000 %

Asset revaluation reserve	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
As at 1 July	27,716	35,286	27,716	35,286
Revaluation gain/(loss)	(109)	(7,988)	(109)	(7,988)
Revaluation adjustment	0	0	0	0
Deferred tax on movement	319	418	319	418
Transfer to retained earnings on disposal of property	0	0	0	0
AS AT 30 JUNE	27,926	27,716	27,926	27,716

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Asset revaluation reserve consists of:	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Land	13,677	12,646	13,677	12,646
Buildings	2,885	1,787	2,885	1,787
Fencing	352	283	352	283
Reticulated systems	700	866	700	866
Runway, apron & taxiways	9,463	11,012	9,463	11,012
Other paved areas	849	1,122	849	1,122
AS AT 30 JUNE	27,926	27,716	27,926	27,716

Retained earnings	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
As at 1 July	18,937	23,929	15,886	21,494
Transfers from asset revaluation reserve on disposal of property, plant & equipment	0	0	0	0
Surplus/(loss) for the year	354	(4,992)	111	(5,608)
AS AT 30 JUNE	19,291	18,937	15,997	15,886

12. LOANS TO SUBSIDIARY

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Current				
Titanium Park Limited	0	6,921	0	0
Non current				
Titanium Park Limited	7,105	0	0	0
AS AT 30 JUNE	7,105	6,921	0	0

The amount of \$7,104,855 is subject to a loan agreement between the parties, is repayable on demand, with interest payable at the 90-day bank bill rate plus 3%. The Company has no plans to call for repayment of the loan within the next 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

13. INVESTMENT IN SUBSIDIARY

Titanium Park Limited is a limited liability company incorporated and domiciled in New Zealand.

The shareholding of Titanium Park Limited as at 30 June 2011 is as follows:

Shareholder	No. of Shares	Percentage
Waikato Regional Airport Limited	100	100.000 %
	100	100.000 %

The investment sum comprises \$1.5m cash and \$3.25m of lease land. The lease land is subject to a 99 year or 50 year lease, but has been treated as an investment in TPL because that accounting treatment reflects the economic substance of the transaction.

14. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms during the year.

Shareholders

During the financial year the Company made payments to the following Shareholders:

- Waipa District Council, a total of \$125,341 (incl GST) for rates, land subdivision costs and runway designation costs (2010: \$123,330). The amount outstanding at balance date was \$13,809 (2010: \$4,113)
- Hamilton City Council, a total of \$41,808 (incl GST) for tourism product development, and runway designation costs (2010: \$30,263). There were no outstanding balances at balance date (2010: nil).

During the financial year the Company received payments from the following Shareholders:

- Hamilton City Council, a total of \$225,000 (excl GST) for regional tourism funding under a service level agreement.
- Waipa District Council, a total of \$70,312 (excl GST) for regional tourism funding under a service level agreement.
- Waikato District Council, a total of \$70,312 (excl GST) for regional tourism funding under a service level agreement.
- Matamata-Piako District Council, a total of \$70,312 (excl GST) for regional tourism funding under a service level agreement.
- Otorohanga District Council, a total of \$14,062 (excl GST) for regional tourism funding under a service level agreement.

Directors

Businesses in which Directors have a substantial interest and which provided services/supplies to the Company during the year were:

- Professional services and reviews, \$38,442 (incl GST), during the year to 30 June 2011 from PricewaterhouseCoopers a company in which Mr. J. Rickman is a Consultant and his wife is a Partner (2010: \$28,569).

There were no amounts outstanding at balance date (2010: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Subsidiaries and Joint Venture

During the year the Company made advances totalling \$184k (2010: \$3.832m) to Titanium Park Limited to fund the operations of Titanium Park Joint Venture.

The amount of \$2,661 (incl GST) was paid to Titanium Park Joint Venture during the year for rental income earned from land held by the joint venture but collected by the Company (2010: \$63,226).

Key management personnel compensation	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Salaries and other short-term employee benefits	1,074	1,012	1,074	1,012
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	1,074	1,012	1,074	1,012

Key management personnel include Directors, the Chief Executive and the other five members of the Company's management team. There were no other material related party transactions during the year other than those already disclosed in the notes to these financial statements.

15. EVENTS OCCURRING AFTER BALANCE DATE

In August 2011, Titanium Park Joint Venture signed a sale and purchase agreement for the sale of 12.21 hectares of Titanium Park land. The sale terms provide for a staged delivery of the land with the final settlement scheduled for 2015.

On 1 July 2011, Hamilton & Waikato Tourism Limited (HWTL) was incorporated. HWTL is a wholly owned subsidiary of Waikato Regional Airport Limited and is the regional tourism organisation that will continue the tourism activity previously carried out as a business division of Waikato Regional Airport Limited.

There were no other events after balance date that could significantly affect the financial statements.

16. OPERATING REVENUE

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Car park	1,423	1,217	1,423	1,217
Landing charges & departure charges	2,343	2,447	2,343	2,447
Rentals & concessions	1,473	1,454	1,584	1,502
Shop trading & other	1,358	1,256	1,358	1,282
Grants	0	140	0	140
TOTAL OPERATING REVENUE	6,596	6,515	6,708	6,587

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

17. OTHER GAINS/(LOSSES)

Other gains	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Gain on disposal of property, plant & equipment	4	59	4	59
Gain on changes in fair value of investment property	46	0	46	0
Gain on sale of property held for sale	312	0	312	0
TOTAL OTHER GAINS	362	59	362	59

Other losses	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Loss on changes in fair value of investment property (note 30)	0	356	0	356
Loss on sale of property, plant and equipment	20	0	20	0
Write-down of development property	0	0	0	632
Loss on fair value adjustment - interest rate swaps (note 27)	37	182	37	182
TOTAL OTHER LOSSES	57	538	57	1,170

18. FINANCIAL INSTRUMENTS

Credit risk

The Company is party to financial instrument arrangements as part of its everyday operations. Financial instruments, which potentially subject the Company to credit risk, consist principally of cash, short-term investments and accounts receivable.

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Cash at bank	281	165	306	200
Receivables and prepayments	1,423	925	653	589
Term deposit	0	0	160	160
	1,704	1,090	1,121	949

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

The Company invests funds only in deposits with registered banks with a credit rating of at least AA and New Zealand Government Stock. Surplus funds from normal trading activity are invested with ASB Bank which had a Standard and Poor's credit rating of AA as at 30 June 2011.

Concentrations of credit risk with respect to accounts receivable are limited due to the wide range of customers involved.

The fair value of cash, short-term investments and accounts receivable is equivalent to their carrying amount as disclosed in the Balance Sheet.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company's liquidity position is monitored on a daily basis by management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at an entity level.

The Company has a Revolving Cash Advances Facility (RCAF) with a final maturity date of 8 November 2011. The borrowing is structured as 30 to 90 day interest period loans that are renewed on an ongoing basis under the RCAF.

Group 30 June 2011 \$000	Weighted average effective interest rate	\$ Less than 1 year	\$ Between 1 and 2 years	\$ Between 2 and 5 years	\$ Over 5 years	\$ Contractual cash flows	\$ Carrying amount
Financial assets							
Cash & cash equivalents	0	311	0	0	0	311	311
Trade & other receivables	0	532	0	0	0	532	532
Prepayments	0	121	0	0	0	121	121
Other financial assets at fair value through profit or loss	0	160	0	0	0	160	160
Financial liabilities							
Trade & other payables	0	1,126	0	0	0	1,126	1,126
Derivative financial instruments	6.83%	403	291	322	0	1,017	974
Term liabilities – current	4.98%	8,683	0	0	0	8,683	8,683
Term liabilities – non current	0	0	0	500	0	500	500
Other financial liabilities	0	0	0	0	0	0	0

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Group 30 June 2010 \$000	Weighted average effective interest rate	\$ Less than 1 year	\$ Between 1 and 2 years	\$ Between 2 and 5 years	\$ Over 5 years	\$ Contractual cash flows	\$ Carrying amount
Financial assets							
Cash & cash equivalents	0	206	0	0	0	206	206
Trade & other receivables	0	463	0	0	0	463	463
Prepayments	0	126	0	0	0	126	126
Other financial assets at fair value through profit or loss	0	160	0	0	0	160	160
		955	0	0	0	955	955
Financial liabilities							
Trade & other payables	0	927	0	0	0	927	927
Derivative financial instruments	6.83%	346	250	357	67	1,019	937
Term liabilities – current	0	0	0	0	0	0	0
Term liabilities – non current	4.35%	0	9,218	500	0	9,718	9,718
Other financial liabilities	0	0	0	0	0	0	0
		1,273	9,468	857	67	11,664	11,582

MARKET RISK

Cash flow and Interest Rate risk

As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company manages interest rates by keeping a percentage of its total net debt outstanding on a fixed rate basis. The amount of fixed rate debt depends on the underlying interest rate exposure and economic conditions.

The Company currently has an agreement with ASB Bank Limited to hedge its loan facility of \$9.819m. The interest rate swap contracts the Company has are as follows:

Face Value	Fixed Rate	Start Date	Maturity Date
\$4,000,000	6.77%	3 July 2006	15 January 2013
\$3,000,000	6.84%	3 April 2007	15 April 2016
\$3,000,000	6.89%	8 February 2007	15 April 2016

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The Company enters into derivative financial instruments only for hedging purposes.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Other receivables and trade payables are interest-free and have settlement dates within one year. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

FOREIGN EXCHANGE RISK

All financial instruments are denominated in New Zealand Dollars; therefore the Company has no foreign currency risk.

PRICE RISK

The Company is exposed to equity securities price risk because of investments held by the Company which are classified as fair value through equity. The Company is not exposed to commodity price risk. The Directors do not have a policy on price risk due to the low value of the equity holdings.

MARKET RISK SENSITIVITY

The sensitivity analyses below are based on a change in an assumption while holding all the other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

Group 30 June 2011	\$000 Carrying amount	Interest rate risk - 1% \$000		Interest rate risk 1% \$000	
		Profit	Equity	Profit	Equity
Financial assets					
Trade & other receivables	532	0	0	0	0
Cash & cash equivalents	311	0	0	0	0
Prepayments	121	0	0	0	0
Term deposit	160	0	0	0	0
Financial liabilities					
Trade & other payables	1,126	0	0	0	0
Derivative financial instruments ¹	974	(341)	0	326	0
Term liabilities – current	8,683	(2)	0	2	0
Term liabilities – non current ²	0	0	0	0	0
Other financial liabilities	500	0	0	0	0
TOTAL INCREASE/(DECREASE)		(343)	0	326	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Group 30 June 2010	\$000 Carrying amount	Interest rate risk - 1% \$000		Interest rate risk 1% \$000	
		Profit	Equity	Profit	Equity
Financial assets					
Trade & other receivables	463	0	0	0	0
Cash & cash equivalents	206	0	0	0	0
Prepayments	126	0	0	0	0
Term deposit	160	0	0	0	0
Financial liabilities					
Trade & other payables	927	0	0	0	0
Derivative financial instruments ¹	937	(424)	0	402	0
Term liabilities – current	0	0	0	0	0
Term liabilities – non current ²	9,218	(4)	0	4	0
Other financial liabilities	500	0	0	0	0
TOTAL INCREASE/(DECREASE)		(428)	0	406	0

1. The Company has hedged its loans with ASB through derivative financial instruments. At 30 June 2011 the sum was \$10m (2010: \$10m). The sums shown for –1% and 1% interest rate risk is the effect on the unrealised value of the derivatives and on realised receipts/payments on the derivatives for the period.
2. The Company has a Revolving Cash Advance Facility (RCAF) with the ASB Bank. Funds drawn on the RCAF are fixed for a period (usually 90 days) at the current bank bill rate plus a margin. Interest rate risk to profit for ASB term liabilities (current and non-current) represents the impact on interest expense from a change in bank bill rate until the next reset date. The sum shown for -1% interest rate risk is the additional interest expense incurred until reset compared to the adjusted bank bill rate. The sum shown for 1% interest rate risk is the reduced interest expense until reset compared to the adjusted bank bill rate.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, call on uncalled capital of current shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, trade and other payables, and deferred tax, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Total borrowings	15,878	16,520	18,017	18,740
Less: cash & cash equivalents	(285)	(170)	(311)	(206)
Net debt	15,593	16,350	17,706	18,534
Total equity	62,078	61,513	58,784	58,462
Total capital	77,671	77,863	76,490	76,996
GEARING RATIO	20.08%	21.00%	23.15%	24.07%

FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level one) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level two) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level three) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

GROUP \$000	2011				2010			
	Quoted market price	Observable inputs	Significant non-observable inputs	Total	Quoted market price	Observable inputs	Significant non-observable inputs	Total
Financial liabilities								
Derivative financial instruments	0	974	0	974	0	937	0	937

PARENT \$000	2011				2010			
	Quoted market price	Observable inputs	Significant non-observable inputs	Total	Quoted market price	Observable inputs	Significant non-observable inputs	Total
Financial liabilities								
Derivative financial instruments	0	974	0	974	0	937	0	937

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

19. RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Surplus/(deficit) after tax	354	(4,992)	111	(5,608)
Add/(deduct) non cash items				
Depreciation & amortisation	1,596	1,580	1,596	1,580
Deferred taxation	25	4,264	(68)	4,022
(Gains)/losses in fair value of investment property	(46)	356	(46)	356
(Gains)/losses in fair value of development property	0	0	0	632
Net interest rate swap (gains)/losses	37	182	37	182
Add/(deduct) items classified as investing or financing activities:				
(Gains)/losses on disposal of property, plant & equipment	16	(59)	16	(59)
(Gains)/losses on sale of 'property available for sale	(312)	0	(312)	0
Add/(deduct) movements in working capital:				
Trade & other receivables	(502)	(144)	(518)	(133)
Prepayments	5	(22)	5	(22)
Payables & accruals	124	245	961	560
Employee entitlements	0	(112)	0	(112)
Income in advance	(46)	84	(46)	84
Goods and services taxation	(10)	(23)	19	(40)
Inventories	(8)	3	(8)	3
Development property	0	0	(724)	(5,698)
Other assets allocated	0	0	0	0
Current taxation	0	0	0	0
NET CASH FROM OPERATING ACTIVITIES	1,232	1,362	1,023	(4,253)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

20. DEPRECIATION & AMORTISATION OF ASSETS BY CLASS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Buildings	514	514	514	514
Vehicles	66	69	66	69
Runways, apron & taxiways	647	630	647	630
Other paved areas	68	68	68	68
Plant & equipment	73	66	73	66
Computer equipment	26	20	26	20
Furniture & fittings	86	94	86	94
Fencing	36	36	36	36
Reticulated systems	66	73	66	73
	1,582	1,571	1,582	1,571
Intangible assets – computer software	5	0	5	0
TOTAL DEPRECIATION & AMORTISATION OF ASSETS	1,586	1,571	1,586	1,571

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

21. INCOME TAXATION

			PARENT \$000		
			2011	2010	
Current tax expense					
Current year			0	0	
Prior period adjustment			0	0	
Movement in temporary differences			25	4,264	
			25	4,264	
Reconciliation of effective tax rate		%	2011 \$000	%	2010 \$000
Surplus for the period excluding income tax			379		(728)
Prima facie income tax based on domestic tax rate		30.00%	114	30.00%	(218)
Effect of non-deductible expenses		1.75%	7	(13.20%)	96
Effect of tax exempt income		(28.31%)	(107)	0.00%	0
Effect of notional taxable income		0.00%	0	(0.78%)	6
Prior period adjustment		0.00%	0	0.00%	0
Effect of tax rate change from 30% to 28%		4.89%	19	25.71%	(187)
Benefit of loss offset		(1.67%)	(6)	0.00%	0
Effect of change in building depreciation rate to 0%, calculated at 30% tax rate		0.00%	0	(627.56%)	4,568
		6.67%	25	(585.83%)	4,264
Imputation credits			2011 \$000	2010 \$000	
Imputation credits as at 1 July			1,311	1,311	
New Zealand tax payments			0	0	
Other credits			0	0	
New Zealand tax refunds received			0	0	
Other debits			0	0	
			1,311	1,311	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

		GROUP \$000		
		2011	2010	
Current year		0	0	
Prior period adjustment		0	0	
Movement in temporary differences		(68)	4,022	
		(68)	4,022	
Reconciliation of effective tax rate	%	2011 \$000	%	2010 \$000
Surplus for the period excluding income tax		43		(1,586)
Prima facie income tax based on domestic tax rate	30.00%	13	30.00%	(476)
Effect of non-deductible expenses	2.29%	1	(6.06%)	96
Effect of tax exempt income	(31.83%)	(14)	0.00%	0
Prior period adjustment	0.00%	0	0.00%	0
Effect of tax rate change from 30% to 28%	58.85%	26	10.47%	(166)
Capital gain on sale	(215.85%)	94	0	0
Effect of change in building depreciation rate to 0%, calculated at 30% tax rate	0.00%	0	(288.02%)	4,568
	(156.54%)	(68)	(253.61%)	4,022
Imputation credits		2011 \$000	2010 \$000	
Imputation credits as at 1 July		1,311	1,311	
New Zealand tax payments		0	0	
Other credits		0	0	
New Zealand tax refunds received		0	0	
Other debits		0	0	
		1,311	1,311	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

22. DEFERRED TAX LIABILITIES

Recognised tax liabilities

Deferred tax liabilities are attributable to the following:

Parent \$000	Property plant and equipment	Financial assets	Employee entitlements	Other	Total
Balance as 30 June 2009	4,951	(226)	(38)	(137)	4,550
Charged to profit and loss	4,288	(55)	(18)	53	4,268
Tax loss recognised	0	0	0	(5)	(5)
Charged to equity	(418)	0	0	0	(418)
Balance as at 30 June 2010	8,821	(281)	(56)	(88)	8,395
Charged to profit and loss	(87)	8	5	(82)	(156)
Tax loss recognised	0	0	0	180	180
Charged to equity	(319)	0	0	0	(319)
Balance as at 30 June 2011	8,415	(273)	(51)	11	8,102

GROUP \$000	Property plant and equipment	Financial assets	Employee entitlements	Other	Total
Balance at 30 June 2009	4,951	(226)	(38)	(196)	4,491
Charged to profit and loss	4,288	(55)	(18)	(123)	4,092
Tax loss recognised	0	0	0	(70)	(70)
Charged to equity	(418)	0	0	0	(418)
Balance as at 30 June 2010	8,821	(281)	(56)	(389)	8,095
Charged to profit and loss	(87)	8	5	(21)	(95)
Tax loss recognised	0	0	0	27	27
Charged to equity	(319)	0	0	0	(319)
BALANCE AS AT 30 JUNE 2011	8,415	(273)	(51)	(389)	7,708

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

23. OTHER ASSETS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
CTC apron costs (amortise over lease period)	129	138	129	138
TOTAL OTHER ASSETS	129	138	129	138

Operating Lease Incentive

During the year ending 30 June 2005 the Company leased land to CTC Aviation Training (NZ) Limited for the purpose of establishing a flight training school. As an incentive to attract CTC to enter the lease, the Company agreed to pay 50% of the costs of constructing an apron.

As this payment is considered to be an operating lease incentive, the cost to the Company has been separately identified and will be amortised over the period of the 20 year lease as a reduction in lease income.

24. EMPLOYEE BENEFIT EXPENSES

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Salaries and wages	1,798	1,846	1,798	1,846
Increase/(decrease) in employee benefit liabilities	0	(112)	0	(112)
TOTAL EMPLOYEE BENEFIT EXPENSES	1,798	1,734	1,798	1,734

25. EMPLOYEE ENTITLEMENTS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Annual leave	84	117	84	117
Accrued salary and wages	118	85	118	85
Total employee benefit liabilities	202	202	202	202
<i>Comprising:</i>				
Current	202	202	202	202
TOTAL EMPLOYEE BENEFIT LIABILITIES	202	202	202	202

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

26. LEASE RECEIVABLES

The Company holds a number of leases for grazing and cropping, airport industrial use and terminal leases (e.g. retail, rental cars, office space).

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Less than 12 months	679	858	679	858
Between 1 and 5 years	1,975	2,281	1,975	2,281
Greater than 5 years	2,569	2,699	2,569	2,699
TOTAL LEASE RECEIVABLES	5,223	5,838	5,223	5,838

27. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying values of hedges in place at year end was the net interest accrued at balance date. Fair value for all hedges is provided by independent valuation.

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Current portion				
Fair value of interest rate swaps – 1 July	(937)	(755)	(937)	(755)
Gain/(loss) during year	(37)	(182)	(37)	(182)
FAIR VALUE OF INTEREST RATE SWAPS	(974)	(937)	(974)	(937)

28. OTHER FINANCIAL ASSETS

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Non-current portion				
Shares – Paper Plus	25	24	25	24
Shares – Ballance Agri-Nutrients	2	2	2	2
TOTAL NON-CURRENT PORTION	26	26	26	26

There were no impairment provisions for other financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

29. PROPERTIES FOR SALE

The Company owns surplus non-aeronautical property identified by the Board as available for sale. As at 30 June 2011 the balance represents land to be sold by the Company for its sole benefit.

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Properties available for sale				
Land	35	136	35	136
Buildings	0	0	0	0
TOTAL PROPERTIES AVAILABLE FOR SALE	35	136	35	136

30. INVESTMENT PROPERTY

The Company has identified three classifications of land as strategically important holdings as they relate directly to the aviation operations and related activities, or are considered in the airport's long term strategy of facilitating future growth in the aeronautical capability of the airport.

The Company's criteria for identifying property as of strategic importance is:

- Land areas on which runways, taxiways, aprons, terminal and apron servicing areas as currently placed or anticipated in the Airport Master Plan.
- Land areas abutting the land areas described above.
- Other land that is reserved for aviation related activities.

Land that does not meet the criteria above or that is not property available for sale is classified as investment property.

The Company's investment properties are valued annually at fair value effective 30 June. All investment properties were valued on open market evidence and conditions that prevailed as at 30 June 2011. The valuation was performed by Mairi MacDonald, Registered Valuer, ANZIV, SPINZ, an independent valuer from Quotable Value Limited. Quotable Value Limited is an experienced valuer with extensive market knowledge in the types of investment properties owned by Waikato Regional Airport Limited.

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Opening balance	3,594	3,950	3,594	3,950
Fair value adjustment – additions/(disposals)	0	0	0	0
Reclassifications	0	0	0	0
Fair value gain/(loss) on valuation	46	(356)	46	(356)
Transfer to property for sale	0	0	0	0
CLOSING BALANCE	3,640	3,594	3,640	3,594

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

31. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of NZ IAS 39 categories are as follows:

	PARENT \$000		GROUP \$000	
	2011	2010	2011	2010
Fair value through statement of comprehensive income				
Interest rate swaps	(974)	(937)	(974)	(937)
TOTAL FAIR VALUE THROUGH STATEMENT OF COMPREHENSIVE INCOME	(974)	(937)	(974)	(937)
Fair value through equity				
Shares in listed securities (note 28)	26	26	26	26
TOTAL FAIR VALUE THROUGH EQUITY	26	26	26	26
Loans and receivables				
Cash and cash equivalents	285	170	311	206
Receivables and prepayments	1,422	925	653	589
Loans to subsidiary	7,105	6,921	0	0
Term deposit	0	0	160	160
TOTAL LOANS AND RECEIVABLES	8,812	8,016	1,124	955
Financial liabilities measured at amortised cost				
Payables and accruals	1,076	875	1,126	927
Term liabilities - current portion	6,700	0	8,683	0
Term liabilities	0	7,250	0	9,718
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	7,776	8,125	9,809	10,645

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

32. INTANGIBLE ASSETS

2011 Acquired assets	\$000				
	Balance as at beginning of year	Additions	Transfers	Disposals	Balance at year end
Computer software	39	8	0	0	47
Paper plus establishment fee	20	0	0	0	20
	59	8	0	0	67

Accumulated amortisation and impairment losses	\$000			
	Balance as at beginning of year	Ammortisation expense	Disposals	Balance at year end
Computer software	39	3	0	42
Paper Plus establishment fee	0	5	0	5
	39	8	0	47

Carrying amounts	\$000	
	Balance as at beginning of year	Balance at year end
Computer software	0	5
Paper Plus establishment fee	20	15
	20	20

2010 Acquired assets	\$000				
	Balance as at beginning of year	Additions	Transfers	Disposals	Balance at year end
Computer software	39	0	0	0	39
Paper Plus establishment fee	20	0	0	0	20
	59	0	0	0	59

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Accumulated amortisation and impairment losses	\$000			
	Balance as at beginning of year	Ammortisation expense	Disposals	Balance at year end
Computer software	39	0	0	39
Paper Plus establishment fee	0	0	0	0
	39	0	0	39

Carrying amounts	\$000	
	Balance as at beginning of year	Balance at year end
Computer software	0	0
Paper Plus establishment fee	20	20
	20	20

33. ASSET IMPAIRMENT

There has been no impairment of assets recognised in 2011 (2010 - nil).

34. DIRECTORS FEES

Fees paid to the Company's Board of Directors for the year total \$99,522 (2010: \$104,400).

The Board of Titanium Park Joint Venture has an independent Chairman. Fees paid to the independent Chairman are \$10,403 for the year. The Group's one half share of those fees is \$5,202 (2010: \$6,297). Total Directors' fees for the Group comprise both \$5,202 and \$99,522.

35. DONATIONS

During the year the Company made donations to charities totaling \$450 (2010: \$250).

36. PERFORMANCE TARGETS AND RESULTS

The Company prepares an annual Statement of Corporate Intent, which is approved by Shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the Company's actual results for the year (excluding abnormal items) with those forecasted is given on the next page.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Performance targets and results (group)	Actual to 30 June 2011	Statement of corporate intent targets for 2010/2011
Net surplus/(deficit) after tax	111,227	340,451
Net profit/(loss) after tax to average shareholder funds	0.19%	0.50%
Net profit/(loss) after tax to total assets	0.14%	0.41%
Percentage of non-landing charges revenue	81.84%	80.77%
Earnings before interest, taxation and depreciation	2,434,417	2,140,328
Total liabilities/shareholders funds: debt/equity ratio	25:75	18:82
Interest rate cover (parent only and calculated on the basis of interest from TPL and revaluations being excluded)	2.54x	2.26x

Net surplus/(deficit) after tax target of \$340,451 included a gain in the mark-to-market value of interest rate swaps of \$278k with an actual loss for the year of \$37k. There were no sales of Titanium Park land whereas the budget included \$219k profit for land sales. This has an unfavorable impact on the net profit/(loss) after tax to average shareholder funds and net profit/(loss) after tax to total assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

PERFORMANCE TARGETS AND RESULTS

To achieve the Airport Certification Standards as requested by the Civil Aviation Authority.	The Civil Aviation Authority of New Zealand (CAA) carries out an annual survey audit of Aerodrome Safety and Operational Compliance and of Security Compliance against the requirements of Civil Aviation, Part 139, certification approvals. The audits carried out on 4 August and 23 November 2010 respectively confirmed compliance approval by CAA.
Achieve average satisfaction ratings through the conduction of a bi-annual ACI International benchmarking survey.	No survey was carried out during the year. The survey is scheduled to be carried out in the 2011/12 year.
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	Customer feedback cards are positioned in the terminal. From 1 July 2010 to 30 June 2011 there were 117 customer feedback cards collected and documented. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.
Introduce a new domestic carrier to promote competition and consequently, competitive pricing options for travellers.	The airport continues to monitor relative pricing of domestic airfares and encourage availability of competitive pricing.

Dividend

Your Directors recommend that no dividend be declared.

Directors

At the Company's Annual General Meeting held 4 October 2010, and in accordance with the Company's constitution:-

Mrs G Shirley retired by rotation and was re-appointed.

Mr J Rickman retired by rotation and was re-appointed.

Auditor

As required by Clause 23 of the Company's Constitution, the Auditor-General is responsible for the Company's audit. This function is contracted to Audit New Zealand.

STATUTORY INFORMATION

For the year ended 30 June 2011

Directors' Interests

The following directors have made a general disclosure of interest with respect to any transaction or proposed transaction that may be entered into with other entities on the basis of him being a director, partner, trustee or officer of those entities.

Director	Entity	Interest	Director	Entity	Interest
J. Rickman	Pricewaterhouse Coopers	Consultant	G. Thompson	Russel McVeagh	Partner
	Beattie Rickman Investments Ltd	Shareholder & Director		Various client and personal family trusts	Trustee
	Tidd Ross Todd Ltd	Chairman		Highland Centre Ltd	Director
	H G Leach & Co Ltd	Chairman		Douglas Pharmaceuticals Ltd	Director
	Titanium Park Ltd	Director		Natural Health Laboratories Ltd	Director
	Lake Taupo Protection Trust	Trustee		Cedarville Properties Ltd	Director
	Number of Family Trusts for clients and his family	Trustee		St Paul's Foundation Ltd	Director
	ZLM Ltd	Director		Waikato Anglican School Trust	Trustee
	Alandale Lifecare Ltd	Director		Neurological Foundation of New Zealand Incorporated	Trustee
	H.G. Leach (Fiji) Ltd	Director		Titanium Park Ltd	Director
	Independent Oversight Board - Telecom	Member			
	Ezibuy Ltd	Chairman			
	Rowing NZ Nominee	Director			
	NZ Transport Agency	Board Member			
	Spectrum Diaries Ltd	Director			
Spectrum Management Services Ltd	Director				

STATUTORY INFORMATION

For the year ended 30 June 2011

Directors' Interests Continued

Director	Entity	Interest	Director	Entity	Interest
A. Calder	University of Waikato Foundation	Chairman	J. Birch	Birch Holdings Ltd	Director
	Agri Travel Interational Ltd	Director		Birch Mollard Capital Management Ltd	Director
	Calder & Lawson Tours Ltd	Director		Central Capital Management Ltd	Director
	Titanium Park Ltd	Director		Central Capital Investments (1) Ltd	Director
	Calder & Lawson Investments Ltd	Chairman & Director		Central Capital Services Ltd	Director
	Kereru Basketball Trust	Trustee		Central Capital Partners Ltd	Director
	Hospice Waikato	Chairman		Habitat for Humanity - (Central North Island) Ltd	Director
	Hamilton & Waikato Tourism Ltd	Director		Joffre Consulting Ltd	Director
G. Shirley	Number of Family Trusts for clients and her family	Trustee		Maeroa Properties Ltd	Director
	Chartered Accountancy Private Practice	Chartered Accountant		Larrabee Holdings Ltd	Director
	Titanium Park Ltd	Director		Birchwood Design Ltd	Director
	Waikato District Health Board	Member		Get Smart Holdings Ltd	Chairman
	Alandale Lifecare Ltd	Director		Get Smart Financial Solutions Ltd	Chairman
	Alandale Foundation	Trustee		Herdhomes Systems Ltd	Director
				Kermit Promotions Ltd	Director
				Magpie Forestry Ltd	Director
		Diary Solutionz (NZ) Ltd		Director	
		Beef Solutionz (NZ) Ltd		Director	
		Perry Resources (2008) Ltd		Director	
		Learningworks Ltd		Director	
		Sidecar GP Ltd		Director	
		FeeSmart Finance Ltd		Director	
		Feelink International Ltd	Director		
		Key Funds Ltd	Director		
		International Funding Ltd	Director		
		Prima Group Ltd	Director		
		Control Distribution Ltd	Chairman		
		Quantec Ltd	Director		
		Opportunity Hamilton	Trustee		
		Titanium Park Ltd	Director		

STATUTORY INFORMATION

For the year ended 30 June 2011

Use of Company Information

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

Share Dealing

No Director holds shares in the Company nor acquired or disposed of any interest in shares in the Company during the year.

Directors' Remuneration

Remuneration paid to the Company's Directors during the year was as follows:

	2011 \$000	2010 \$000
J Rickman	17	35
J Birch	28	21
A Calder	23	21
G Shirley	23	21
G Thompson	8	0
B Coombes	0	6

No other remuneration or benefits have been paid or given to the Company's directors. The Group's share of remuneration paid to the Titanium Park Joint Venture independent Chairman is \$5,202 (see note 34).

Insurance

The Company arranged Directors' and Officers' liability insurance with Vero Liability Insurance Limited at a cost of \$4,450 (excl GST) for the 12 month period to 31 March 2011. From 1 April, Directors' and Officers' liability Insurance is with Vero Liability Insurance Limited at a cost of \$4,450 (excl GST).

Remuneration of Employees

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees of the Company who received remuneration and other benefits in their capacity as employees, totalling \$100,000 or more, during the year.

AMOUNT OF REMUNERATION	EMPLOYEES
\$270,000 - \$279,999	1
\$170,000 - \$179,999	1
\$150,000 - \$159,999	1
\$140,000 - \$149,999	1
\$120,000 - \$129,999	1

Remuneration includes salary, performance bonuses and motor vehicle allowances received in their capacity as employees.

AUDIT REPORT

For the year ended 30 June 2011

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Waikato Regional Airport Limited and group's financial statements and performance information for the year ended 30 June 2011

The Auditor-General is the auditor of Waikato Regional Limited (the company) and group. The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 18 to 51, that comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to and forming part of the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 51 to 52.

Opinion on the financial statements and performance information

In our opinion:

- the financial statements of the company and group on pages 18 to 51:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the company and group's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date;
- the performance information of the company and group on pages 51 to 52:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2011.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

AUDIT REPORT

For the year ended 30 June 2011

Our audit was completed on 9 September 2011. This is the **date** at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and **we** explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control 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 and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;

AUDIT REPORT

For the year ended 30 June 2011

- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.



Karen MacKenzie
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

FIVE YEAR REVIEW

For the year ended 30 June 2011

	\$000's				
	2011	2010	2009	2008	2007
Revenue	7,087	6,654	5,848	10,591	8,085
Increase/-decrease	7%	14%	-45%	31%	-32%
Expenditure	7,044	8,240	6,827	6,680	5,278
Increase/-decrease	-15%	21%	2%	26%	-34%
Operating surplus before abnormal item & taxation	(253)	(1,645)	(407)	870	774
Increase/-decrease	84%	-304%	-147%	12%	-6%
Operating surplus before tax item	43	(1,586)	(979)	3,910	2,804
Performance indicators					
Operating surplus (after abnormal item & taxation) to average shareholder's equity	-0.32%	-8.71%	-0.73%	7.96%	7.55%
Percentage of non-landing charges revenue to total revenue	82%	80%	75%	76%	84%
Total equity	58,784	58,462	71,639	60,320	37,364
Total liabilities	19,417	20,148	23,381	24,836	26,366
Total assets	78,201	78,610	94,777	85,156	63,730
Net asset backing per share	\$14.57	\$14.49	\$17.76	\$21.09	\$13.06
Shareholders' equity ratio	75%	74%	76%	71%	59%
Passengers					
- Domestic	315,972	279,570	296,240	336,320	321,694
- International	45,877	52,975	45,507	86,694	103,016
- Total	361,849	332,545	341,747	423,014	424,710

CORPORATE DIRECTORY

For the year ended 30 June 2011

Board of Directors	John Birch (Chairman) Alastair Calder Gay Shirley Greg Thompson (appointed 18 March 2011) Jerry Rickman (retired 31 December 2010)
Chief Executive Officer	Chris Doak
Chief Financial Officer	Jon Curran
Operations Manager	Simon Hollinger
Marketing Manager	Rebecca Evans
Regional Tourism Manager	Kiri Goulter
Registered Office	Hamilton Airport Terminal Building Hamilton International Airport Airport Road, R D 2 Hamilton 3282
Telephone	07 848 9027
Facsimile	07 843 3627
E-mail	wral@hamiltonairport.co.nz
Web Site	www.hamiltonairport.co.nz
Bankers	ASB Bank Limited
Solicitors	Tompkins Wake, Hamilton
Auditors	Audit New Zealand, Hamilton on behalf of the Controller and Auditor General



Hamilton
International Airport