

## **5 Supplementary Agenda - Whangarei District Airport Annual Report and Performance Summary 2015-16**

**Reporting officer:** Jude Thompson (Positive Growth Group Manager)

**Date of meeting:** 29 September 2016

### **1. Purpose**

To report to Council the Whangarei District Airport Annual Report and Performance Summary as specified in the 2015-2016 Statement of Intent.

Audit have reviewed and made minor changes to the Financial Statements however these accounts are still subject to the Audit Director's review.

### **Attachment**

1. Whangarei District Airport Financial Statements for the year ended 30 June 2016

**Whangarei District Airport  
Financial statements  
for the year ended  
30 June 2016**

# Whangarei District Airport Financial statements - 30 June 2016

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## Entity Information

### Legal name

Whangarei District Airport (the Airport).

### Type of entity and legal basis

The Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

The Airport acts as a gateway to the Whangarei District and Northland, and is provided for the use of visitors, residents and ratepayers of the Whangarei District.

### The Airport's purpose

The Airport's primary objective is to operate a fully serviceable airport for the use of visitors, residents and ratepayers of the Whangarei District.

### Structure of the Airport's operations, including governance arrangements

The Whangarei District Council has overall responsibility for the management and governance of the Airport. Council is delegated the responsibility of Governance, while the operational management of the Airport is controlled by way of a contract with Northland Aviation Limited.

### Main sources of the Airport's cash and resources.

Revenue from operations are the primary sources of funding to the Airport.

### Authorisation

The Board of Whangarei District Airport authorised these financial statements presented on the following pages 3 to 13

For and on behalf of the Board:

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S Mai  
Mayor  
28 September 2016

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S Deeming  
Chair - Finance Committee  
28 September 2016

**Whangarei District Airport**  
**Statement of financial performance**  
**For the year ended**  
**30 June 2016**

**Statement of financial performance**  
For the year ended 30 June 2016

|                                     | Note | Actual<br>2016<br>\$ | 2016<br>Budget<br>\$ | 2015<br>Actual<br>\$ |
|-------------------------------------|------|----------------------|----------------------|----------------------|
| <b>Revenue</b>                      |      |                      |                      |                      |
| Revenue from operations             | 3    | 531,821              | 626,000              | 536,123              |
| Interest revenue                    |      | 22,266               | 22,200               | 34,454               |
| Capital contribution from WDC       | 14   | -                    | 210,000              | -                    |
| Capital contribution from MoT       | 14   | -                    | 210,000              | -                    |
| <b>Total revenue</b>                |      | <u>554,087</u>       | <u>1,068,200</u>     | <u>570,577</u>       |
| <b>Expenditure</b>                  |      |                      |                      |                      |
| Repairs and maintenance             |      | 49,844               | 161,000              | 63,155               |
| Management fee                      |      | 105,000              | 105,000              | 105,000              |
| Depreciation and amortisation       | 8    | 153,793              | 165,000              | 140,441              |
| Other expenses                      | 4    | 252,534              | 141,200              | 141,518              |
| <b>Total operating expenditure</b>  |      | <u>561,171</u>       | <u>572,200</u>       | <u>450,114</u>       |
| <b>Surplus/(deficit) before tax</b> |      | (7,084)              | 496,000              | 120,463              |
| Income tax expense                  | 5    | -                    | 138,880              | -                    |
| <b>Surplus/(deficit) after tax</b>  |      | <u>(7,084)</u>       | <u>357,120</u>       | <u>120,463</u>       |

*Summary of significant accounting policies and the accompanying notes form part of these financial statements.*

**Whangarei District Airport  
Statement of financial position  
As at 30 June 2016**

**Statement of financial position**  
As at 30 June 2016

|                                      | Note | 2016<br>Actual<br>\$ | 2016<br>Budget<br>\$ | 2015<br>Actual<br>\$ |
|--------------------------------------|------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                        |      |                      |                      |                      |
| <b>Current assets</b>                |      |                      |                      |                      |
| Bank accounts and cash               | 6    | 795,729              | 619,841              | 962,901              |
| Debtors                              | 7    | 81,202               | 88,913               | 88,869               |
| Provision for income tax             | 5    | 508                  | -                    | 10,506               |
| <b>Total current assets</b>          |      | <b>877,439</b>       | <b>708,754</b>       | <b>1,062,276</b>     |
| Property, plant and equipment        | 8    | 4,288,310            | 4,516,010            | 3,643,134            |
| <b>Total non-current assets</b>      |      | <b>4,288,310</b>     | <b>4,516,010</b>     | <b>3,643,134</b>     |
| <b>Total assets</b>                  |      | <b>5,165,749</b>     | <b>5,224,764</b>     | <b>4,705,410</b>     |
| <b>LIABILITIES</b>                   |      |                      |                      |                      |
| Creditors and other payables         | 9    | 126,537              | 105,965              | 79,114               |
| <b>Total current liabilities</b>     |      | <b>126,537</b>       | <b>105,965</b>       | <b>79,114</b>        |
| <b>Non-current liabilities</b>       |      |                      |                      |                      |
| Deferred income tax                  |      | -                    | 446,532              | -                    |
| <b>Total non-current liabilities</b> |      | <b>-</b>             | <b>446,532</b>       | <b>-</b>             |
| <b>Total liabilities</b>             |      | <b>126,537</b>       | <b>552,497</b>       | <b>79,114</b>        |
| <b>ASSETS LESS LIABILITIES</b>       |      | <b>5,039,212</b>     | <b>4,672,267</b>     | <b>4,626,296</b>     |
| <b>ACCUMULATED FUNDS</b>             |      |                      |                      |                      |
| Retained earnings                    | 10   | 1,756,020            | 1,389,075            | 1,763,104            |
| Contributed Capital                  | 10   | 3,283,192            | 3,283,192            | 2,863,192            |
| <b>Total equity</b>                  |      | <b>5,039,212</b>     | <b>4,672,267</b>     | <b>4,626,296</b>     |

*Summary of significant accounting policies and the accompanying notes form part of these financial statements.*

**Whangarei District Airport  
Cash flow statement  
For the year ended  
30 June 2016**

**Cash flow statement**  
For the year ended 30 June 2016

|  | <b>2016<br/>Actual<br/>\$</b> | <b>2015<br/>Actual<br/>\$</b> |
|--|-------------------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                                      |                               |                               |
| Revenue from operations  | 523,855                       | 532,686                       |
| Interest received  | <u>22,165</u>                 | <u>43,112</u>                 |
| <b>Total cash from operating activities</b>                                      | <u><b>546,020</b></u>         | <u><b>575,798</b></u>         |
| <b>Cash was applied to / from</b>  |                               |                               |
| Payments to suppliers  | 301,254                       | 322,967                       |
| Income tax paid  | (9,998)                       | (1,810)                       |
| Goods and services tax (net)   | <u>14,716</u>                 | <u>832</u>                    |
| Total cash provided to operating activities                                      | <u><b>305,972</b></u>         | <u><b>321,989</b></u>         |
| <b>Net cash from operating activities</b>  | <u><b>240,048</b></u>         | <u><b>253,809</b></u>         |
| <b>Cash flows from investing and financing activities</b>                        |                               |                               |
| Proceeds from capital contributions from WDC and MoT                             | <u>420,000</u>                | -                             |
| Total cash from investing and financing activities                               | <u><b>420,000</b></u>         | -                             |
| Purchase and development of property, plant and equipment                        | <u>827,220</u>                | 33,857                        |
| Total cash provided to investing and financing activities                        | <u><b>827,220</b></u>         | <u><b>33,857</b></u>          |
| <b>Net cash flow from investing and financing activities</b>                     | <u><b>(407,220)</b></u>       | <u><b>(33,857)</b></u>        |
| Net (decrease)/increase in cash, cash equivalents, and bank overdrafts           | <b>(167,172)</b>              | 219,952                       |
| <b>Bank accounts and cash, and bank overdrafts at the beginning of the year:</b> | <u><b>962,901</b></u>         | <u>742,949</u>                |
| <b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>        | <u><b>795,729</b></u>         | <u><b>962,901</b></u>         |

*Summary of significant accounting policies and the accompanying notes form part of these financial statements.*

## **1 Statement of accounting policies for the year ended 30 June 2016**

### **1.1 Reporting entity**

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

## **2 Significant accounting policies**

### **2.1 Basis of preparation**

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Airport will continue to operate in the foreseeable future.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting Accrual (Public Sector) on the basis that the Airport does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

#### **Goods and services tax**

The Airport is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

#### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars.

### **2.2 Revenue and expenses**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

#### **(i) Grants**

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

#### **(ii) Interest income**

Interest revenue is recorded as it is earned during the year.

#### **(iii) Sale of services**

Revenue from the sale of services is recognised when the services are provided to the customer.

#### **(iv) Administration, overheads and other costs.**

These are expensed when the related service has been received.

### **2.2 Income tax**

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

### **2.3 Bank accounts and cash**

Bank accounts and cash include 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 as current liabilities in the statement of financial position.

### **2.4 Debtors**

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a doubtful debt expense.



## **2 Significant accounting policies (continued)**

### **2.5 Property, plant and equipment**

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

*(i)* **Asset sales**

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

*(ii)* **Use of assets**

For an asset to be used by the Airport, the asset is impaired if the value to the Airport in using the asset falls below the carrying amount of the asset.

#### **Depreciation**

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives of major classes of assets have been estimated as follows:

| <b>Class of PP&amp;E</b> | <b>Estimated useful life</b> |
|--------------------------|------------------------------|
| Land                     | Indefinite                   |
| Airside                  | 0-140 years                  |
| Buildings                | 4-40 years                   |
| Landside                 | 0-140 years                  |
| Sundries                 | 5-64 years                   |
| Services                 | 0-40 years                   |

### **2.6 Investments**

Investments comprise investments in terms deposits with banks.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

### **2.7 Creditors and accrued expenses**

Creditors and accrued expenses are measured at the amount owed.

### **2.8 Lease expense**

Lease payments are recognised as an expense on a straight-line basis over the lease term.

### **2.9 Tier 2 PBE Accounting Standards applied**

The Airport has not applied any Tier 2 Accounting Standards in preparing its financial statements.

### **2.10 Changes in Accounting Policies**

There are no changes in accounting policies.

### 3 Revenue from operations

|                                      | Actual<br>2016<br>\$  | Budget<br>2016<br>\$  | Actual<br>2015<br>\$  |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Landing fees                         | 347,225               | 375,000               | 349,287               |
| Rent received                        | 144,575               | 135,000               | 141,326               |
| Operating expenses recoveries        | 27,022                | 22,000                | 25,068                |
| Other recoveries                     | 5,523                 | 9,000                 | 8,269                 |
| Other revenue                        | 7,476                 | 10,000                | 12,173                |
| Parking Rentals                      | -                     | 75,000                | -                     |
| <b>Total revenue from operations</b> | <b><u>531,821</u></b> | <b><u>626,000</u></b> | <b><u>536,123</u></b> |

### 4 Other expenses

|  | Actual<br>2016<br>\$  | Budget<br>2016<br>\$  | Actual<br>2015<br>\$  |
|--|-----------------------|-----------------------|-----------------------|
| Cleaning                               | 28,818                | 27,000                | 27,945                |
| Electricity                            | 25,959                | 25,000                | 23,400                |
| Auditors fees for financial statements | 19,840                | 19,500                | 19,374                |
| Other expenses                         | 72,452                | 69,700                | 71,661                |
| Loss on disposals of PPE               | 101,777               | -                     | -                     |
| Bad debts written off                  | 3,529                 | -                     | 1,067                 |
| Movement in doubtful debt provision    | 159                   | -                     | (16,933)              |
| Impairment loss                        | -                     | -                     | 15,004                |
| <b>Total other expenses</b>            | <b><u>252,534</u></b> | <b><u>141,200</u></b> | <b><u>141,518</u></b> |

### 5 Income tax

#### Relationship between tax expense and accounting profit

|  |                 |                 |
|--|-----------------|-----------------|
| Accounting surplus/(deficit) before tax                | (7,084)         | 120,463         |
| Plus / (Less): adjustment for non-tax deductible items | <u>47,986</u>   | <u>(8,592)</u>  |
| <b>Taxable surplus (deficit)</b>                       | <b>40,902</b>   | <b>111,871</b>  |
| Tax at 28%   | 11,453          | 31,323          |
| Plus/(less) tax effect of:                             |                 |                 |
| Tax losses utilised                                    | (11,453)        | (31,323)        |
| Tax losses carried forward                             | <u>-</u>        | <u>-</u>        |
| <b>Tax expense</b>                                     | <b><u>-</u></b> | <b><u>-</u></b> |

### 6 Bank accounts and cash

|                                     | 2016<br>\$            | 2015<br>\$            |
|-------------------------------------|-----------------------|-----------------------|
| Bank deposits                       | 748,949               | 926,317               |
| Bank balances                       | <u>46,780</u>         | <u>36,584</u>         |
| <b>Total bank accounts and cash</b> | <b><u>795,729</u></b> | <b><u>962,901</u></b> |

#### Cash at bank and on hand

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

**7 Debtors and other receivables**

|                                    | 2016           | 2015           |
|------------------------------------|----------------|----------------|
|                                    | \$             | \$             |
| Debtors and other receivables      | <b>84,958</b>  | 92,466         |
| Provision for doubtful receivables | <b>(3,756)</b> | <b>(3,597)</b> |
| <b>Net debtors</b>                 | <b>81,202</b>  | 88,869         |

## 8 Property, plant and equipment

|   | Land                  | Landside              | Buildings             | Airside                 | Services             | Sundries             | Total                   |
|---|-----------------------|-----------------------|-----------------------|-------------------------|----------------------|----------------------|-------------------------|
|   | \$                    | \$                    | \$                    | \$                      | \$                   | \$                   | \$                      |
| <b>Year ended Actual 2015</b>                   |                       |                       |                       |                         |                      |                      |                         |
| Opening carrying amount                         | 810,000               | 235,248               | 245,821               | 2,383,671               | 48,827               | 41,156               | 3,764,723               |
| Additions                                       | -                     | 2,183                 | 20,794                | 6,150                   | -                    | 2,130                | 31,257                  |
| Work in progress                                | -                     | -                     | 2,600                 | -                       | -                    | -                    | 2,600                   |
| Impairment charge recognised in profit and loss | -                     | -                     | (15,005)              | -                       | -                    | -                    | (15,005)                |
| Depreciation charge                             | -                     | (2,748)               | (18,527)              | (112,924)               | (2,491)              | (3,752)              | (140,441)               |
| <b>Balance at 30 June 2015</b>                  | <b><u>810,000</u></b> | <b><u>234,683</u></b> | <b><u>235,683</u></b> | <b><u>2,276,897</u></b> | <b><u>46,336</u></b> | <b><u>39,534</u></b> | <b><u>3,643,134</u></b> |

|   | Land                  | Landside              | Buildings             | Airside                 | Services             | Sundries             | Total                   |
|---|-----------------------|-----------------------|-----------------------|-------------------------|----------------------|----------------------|-------------------------|
| <b>2016</b>                                     |                       |                       |                       |                         |                      |                      |                         |
| <b>Year ended 30 June 2016</b>                  |                       |                       |                       |                         |                      |                      |                         |
| Opening balance                                 | 810,000               | 234,683               | 235,683               | 2,276,897               | 46,336               | 39,534               | 3,643,133               |
| Additions                                       | -                     | 154,383               | 80,901                | 369,284                 | -                    | 18,637               | 623,205                 |
| Disposals                                       | -                     | -                     | (67,497)              | (33,456)                | -                    | (825)                | (101,778)               |
| Work in progress                                | -                     | -                     | 277,543               | -                       | -                    | -                    | 277,543                 |
| Impairment charge recognised in profit and loss | -                     | -                     | -                     | -                       | -                    | -                    | -                       |
| Depreciation charge                             | -                     | (6,737)               | (20,605)              | (119,227)               | (2,491)              | (4,733)              | (153,793)               |
| <b>Balance at 30 June 2016</b>                  | <b><u>810,000</u></b> | <b><u>382,329</u></b> | <b><u>506,025</u></b> | <b><u>2,493,498</u></b> | <b><u>43,845</u></b> | <b><u>52,613</u></b> | <b><u>4,288,310</u></b> |

The major additions were: Landside - carpark extension and lighting, Airside - apron and taxiway top surface, Buildings - terminal and toilet upgrade.

The major disposals were Airside - apron and taxiway top surfaces, Buildings - part of covered walkway.

There are no restrictions over the title of the Airport's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

## 9 Creditors and accrued expenses

|   | 2016                  | 2015                 |
|---|-----------------------|----------------------|
|   | \$                    | \$                   |
| Accrued expenses                            | 105,868               | 32,039               |
| Trade creditors                             | 518                   | 9,039                |
| Rents in advance                            | <u>20,151</u>         | <u>38,036</u>        |
| <b>Total creditors and accrued expenses</b> | <b><u>126,537</u></b> | <b><u>79,114</u></b> |

Creditors and accrued expenses are non-interest bearing and normally settled 30 day terms. Therefore the carrying value of creditors, accrued expenses and rents in advance approximate their fair value.

## 10 Equity

|                                | 2016                    | 2015                    |
|--------------------------------|-------------------------|-------------------------|
|                                | \$                      | \$                      |
| Retained earnings              | 1,756,020               | 1,763,104               |
| Contributed Capital            | <u>3,283,192</u>        | <u>2,863,192</u>        |
| <b>Balance at 30 June 2016</b> | <b><u>5,039,212</u></b> | <b><u>4,626,296</u></b> |

### Retained Earnings

|                                |                         |                         |
|--------------------------------|-------------------------|-------------------------|
| Balance at 1 July              | 1,763,104               | 1,642,641               |
| Surplus/(deficit) for the year | <u>(7,084)</u>          | <u>120,463</u>          |
| <b>Balance at 30 June</b>      | <b><u>1,756,020</u></b> | <b><u>1,763,104</u></b> |

### Contributed Capital

|                            |                         |                         |
|----------------------------|-------------------------|-------------------------|
| Loans Repaid               | 256,512                 | 256,512                 |
| Local Community            | 12,500                  | 12,500                  |
| Ministry of Transport      | 1,987,834               | 1,777,834               |
| Whangarei District Council | <u>1,026,346</u>        | <u>816,346</u>          |
| <b>Balance at 30 June</b>  | <b><u>3,283,192</u></b> | <b><u>2,863,192</u></b> |

## 11 Contingencies

The Airport has no contingent liabilities (2015: nil) and no contingent assets (2015: nil).

## 12 Commitments

| Commitment type | Explanation  | 2016    | 2015 |
|-----------------|--|---------|------|
| Airport Upgrade | This represents the remaining capital commitment to upgrade the airport terminal | 190,182 | -    |
| <b>Total</b>    |  | 190,182 | -    |

## 13 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Airport would have adopted in dealing with the party at arm's length in the same circumstances.

All related party transactions have been entered into at arm's length.

#### **14 Events occurring after the balance date**

There were no events after the balance sheet date (2015 nil).

#### **15 Explanation of major variances against budget**

Section 64 of the Local Government Act requires a Council Controlled Organisation to prepare a Statement of Intent that complies with Clause 9 of Schedule 8.

- Car parking revenue was included at the time of preparing the 2015-16 budget. Although the carpark extension occurred no decision on paid car parking has been made.
- Repairs and maintenance was lower than budget due to various factors including the deferral of some maintenance, and the capitalisation of upgrade costs.
- Other expenses were higher than budget due to an unbudgeted loss on disposal. The main items disposed of were the covered walkway (\$67k), and taxiway top surfaces (\$33.5k)
- Due to a change in accounting policies in the previous year WDA now accounts for income tax using the tax payable method, therefore there is no deferred tax expense in the current year. A deferred tax expense was included in the 2015-16 budget.
- Capital contributions were received from WDC and MoT towards the airport expansion project. These were capital contributions and therefore not recorded as revenue in the financial statements.

**16 Performance Information**

|  | Performance Target  | Result         | Comment   |             |             |           |
|--|---|----------------|---|-------------|-------------|-----------|
|  |   |                | Actual 2016   | Budget 2016 | Actual 2015 |           |
| 1  | To operate to financial budget  |                |   |             |             |           |
|  |   | Target not met | Revenue   | \$554,087   | \$1,068,200 | \$570,577 |
|  |   | Target met     | Expenditure   | \$561,171   | \$572,200   | \$450,114 |
| Refer to note 15 for explanations of significant variances against budget. |   |                |   |             |             |           |
| 2  | To meet or exceed Airport Certification Standards as laid down by the Civil Aviation Authority for the Airport and reported by random audit | Target met     | Audit was completed in November 2015.   |             |             |           |
| 3  | To conduct a survey of airport users and determine their views on Airport facilities and future facility developments                       | Target met     | Airport staff conducted surveys on different user groups in June 2016. WDC intend to conduct a larger survey when terminal upgrade is completed.  |             |             |           |
| 4  | To complete the introduction of the new Civil Aviation Authority (CAA) requirement to implement a Safety Management System.                 | In progress    | New rule change has transitional provisions for many of the new requirements. SMS now has until 2020 for implementation. Other rule requirements also with transitional periods are either now complete or in progress. |             |             |           |
| 5  | Meet new requirements in the CAA rule 139 latest amendments especially in reference to airport security                                     | Target met     | Current security requirements met. Further requirements will be met in transitional phase.  |             |             |           |
| 6  | To manage the completion of the airport upgrade   | In progress    | Upgrade is in the final stages.   |             |             |           |
| 7  | To implement necessary changes to Health and Safety policy / proceduresto address any changes to legislation.                               | Target met     | Presentations have been given at user group meetings, and Health and Safety manuals have been provided to tenants.  |             |             |           |