2019 ANNUAL REPORT

PALMERSTON NORTH
AIRPORT LIMITED

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The Chairman and Chief Executive's Joint Report

For The Year Ended 30 June 2019

Overview

The Directors and Management Team are pleased to present the 2018/19 Annual Report.

The Company's focus on a Zero Harm approach to those who visit and work within the airport community was maintained during the year. Compliance with all standards and regulations was achieved, and the Company received CAA approval for and commenced implementation of its Safety Management System.

A surplus after tax of $2.76 million was achieved during the financial year ended 30 June 2019, being 72% ahead of the prior financial year, and 45% above PNAL's Statement of Intent target. These results were positively impacted by a $1.0 million revaluation of investment property through the Statement of Comprehensive Revenue and Expense. Excluding this revaluation, the surplus after tax of $1.7 million was 6% ahead of the prior financial year and 10% below the Statement of Intent target.

Passenger volumes again reached an all-time record with 687,000 revenue passenger movements achieved for the twelve-month period to June 2019, being 5% ahead of the prior year and the Statement of Intent target.

The completion of construction of the $5.2 million Massey University School of Aviation training facility, receipt of subdivision consent for the first stage of Ruapehu Business Park, and opening of Stage 2 of the 200-car capacity Long Stay Car Park, were the major highlights for the year.

2018/19 also witnessed the selection of the Airports Council International Carbon Accreditation programme and the successful completion of Level 1 accreditation. A range of energy and waste reduction initiatives were also introduced during the year.

Major capital investments completed during the year included Stage 2 of the Massey University School of Aviation building, the replacement of the Rescue Fire Station, Stage 2 of the Long Stay Car Park, and completion of the freight apron reconstruction.

Working collaboratively with Palmerston North City Council, Horizons Regional Council, MidCentral District Health and Rangitāne o Manawatu, the Company also led the community response and testing for historical firefighting foam contamination at Palmerston North Airport. Soil and water testing revealed some traces of PFAS, although significantly below guidelines.

Financial

Revenue of $10.2 million increased 20% over the previous financial year, with revenue 3% ahead of the Statement of Intent target.

Aeronautical revenue of $6.2 million was 23% higher than the previous financial year, and 5% ahead of the Statement of Intent target.

Non-aeronautical revenue of $4.0 million, including concessionaire's payments, property and land rental, advertising and car parking, increased 16% compared to the previous financial year.

Total expenditure of $5.2 million was 8% above the Statement of Intent target, and 17% above that of the previous financial year. Operating and administration expenditure increases were again influenced by resourcing requirements given the growing focus on the commercialisation of Ruapehu Business Park.

Earnings before interest, tax, depreciation, amortization and the revaluation of investment property were $5.0 million, 23% above the previous financial year and within 3% of the Statement of Intent target.

Excluding the revaluation of investment property mentioned above, a surplus after tax of $1.7 million was

6% ahead of the prior financial year, and 10% below PNAL's Statement of Intent target. This was achieved despite unbudgeted expenditure of $0.26 million associated with the PFAS investigation including testing.

A valuation appraisal of land, building and airside infrastructure at June 2019 indicated that there has been a material increase in values since the June 2017 revaluation. Land has subsequently been revalued by $4.0 million and buildings by $0.9 million. A further $1.0 million associated with the reclassification of the Massey University School of Aviation facility as investment property and its subsequent revaluation has been recognised in the Statement of Comprehensive Revenue and Expense.

The Company's balance sheet remains strong with shareholder's equity of $67.5 million and debt of $12.0 million, while all banking covenants have been met during the financial year.

Net cash flow from operating activities was $3.3 million.

Capital expenditure of $7.5 million was incurred during the financial year and related to the completion of Stage 2 of the state-of-the-art Massey University School of Aviation facility, completion of the replacement Rescue Fire Station, the replacement of the Airport Drive roundabout and the reconstruction of taxiway and airfreight apron areas.

Capital expenditure was 41% below the Statement of Intent target, primarily due to the delayed commencement of commercial projects within Ruapehu Business Park, caused by delays in gaining consents.

A dividend of $0.685 million will be proposed for the financial year ended 30 June 2019.

Commercial

Revenue passenger movements reached a record 687,000 for the twelve months to June 2019; 5% ahead of the prior year and Statement of Intent target.

Passenger growth on scheduled services was again primarily driven by higher loadings achieved on the Palmerston North – Auckland route by both Air New Zealand and Jetstar. Up to 13 daily frequencies are now operated on the Auckland – Palmerston North route. Increases in passenger volumes were also achieved on the Christchurch – Palmerston North route.

Ongoing strength in express airfreight volumes ensured another successful year for airfreight services operated by Freightways and NZ Post. Palmerston North Airport remains the third largest express airfreight hub in New Zealand with twice-daily Boeing 737-400 freighter services operated on the Auckland – Palmerston North – Christchurch route.

During the year, further steps were taken in the commercialisation of Ruapehu Business Park in line with the Company's 20-year development plan.

The construction of the state-of-the-art $5.2 million Massey University School of Aviation training facility was mostly completed by the end of June and represents the largest commercial development project undertaken to date by Palmerston North Airport Limited. The school is now well placed to attract additional domestic and international business. The development of tertiary aviation training activity within the Business Park is a core strategic objective of Palmerston North Airport Limited.

Compliance

All Civil Aviation Act (CAA) Rule Part 139 requirements relating to the airport and its operations were met during the financial year. These were supported by continuing monthly internal audits and quality control checks undertaken by an independent body.

The Company commenced the development of a first-generation Asset Management Plan during the year. Upon completion, this will inform decision making around infrastructure service standards, maintenance, asset replacement and capital and operational budgeting.

The implementation of the Company's safety management system, designed to meet CAA Rule Part 100 requirements continued during the year. The risk-based approach to safety is a response to the growth in complexity of aviation operations, increasing stakeholder expectations, and regulatory requirements, including the Health and Safety at Work Act.

Construction of a replacement Rescue Fire Building was completed during the year. The 530m² facility accommodates two airport rescue fire fighting vehicles, an ancillary vehicle, and includes an emergency response centre, training rooms, and offices over two floors.

Customer

The Company continues to identify and implement programmes that provide a pleasant and enjoyable experience for travellers, tenants and other airport users.

Demand for airport car parking continued to grow during the year. The Company responded by fast-tracking the planned stage 2 of the Long Stay Car Park and extended on-line booking capability into the General and Secure Car Parks.

The airport's premium parking option, Valet Parking, has seen a new loyalty initiative introduced this year. The 'Valet Club Card' is gaining popularity amongst Valet users.

Understanding the level of satisfaction that airport users have with terminal facilities is critical to the Company. The information assessed from customer satisfaction surveys completed by users on the interactive touch screen kiosks in the terminal allows us to identify any issues and improve service levels to all users.

The Company's "Fly Palmy" consumer brand continues to connect with our target markets through local and regional campaigns and our increased sponsorship and community engagement initiatives. The brand's objectives include creating awareness of the convenience of using Palmerston North Airport as the gateway to and from the central region, and our connectivity with Auckland. The Airport continues to see growth from regional travellers who prefer to use Palmerston North Airport, especially travellers from Whanganui, Wairarapa and the Horowhenua.

Another year of sponsorship of the Fly Palmy Arena (formerly Arena 2) has provided an opportunity to leverage our sponsorship partnerships with Central Pulse Netball and increase our engagement with national and secondary school sporting events.

Community

Community engagement and environmental guardianship took centre stage with a number of new initiatives introduced to support these two strategic objectives.

Under the Fly Palmy banner and hashtag #supportingourcommunities, the Company has successfully engaged with the local and regional community through various sponsorship and community initiatives. Our company mascot, Bernie the Saint Bernard, was created and has become a key figure making regular appearances at various community events. The Company is committed to increased engagement with local communities. During the year, Fly Palmy has sponsored the following organisations; Wildbase Hospital, Central Pulse Netball, Centrepoint Theatre, Gravel & Tar, Santa's Cave, Wings over Wairarapa, Red Cross, Fly Palmy Arena, Manawatu Golf Club, Taihape Gumboot Day, and Maoriland Film Festival.

Continued engagement with local iwi, Rangitāne, remains important to the Company. The Company, in conjunction with partners has commenced the construction of an outdoor BBQ area and contributed outdoor seating to facilitate the Te Rangimarie Marae's desire to increase engagement with regional schools.

The Company selected the Airports Council International Carbon Accreditation programme to guide it towards carbon neutrality. During the year the Company achieved Level 1 accreditation and is now working towards achieving Level 2, which will see the completion of a Carbon Management Plan. Meanwhile a number of emission and waste reduction initiatives have already been successfully implemented, resulting in significant reductions in energy consumption and waste landfill.

Our People

We would like to take this opportunity to express thanks to the members of the Board for their valued expertise and guidance during the year and for the loyalty and commitment of the management team and staff during an exceptionally busy period focused on a multitude of projects and development opportunities.

With an increasing demand for skilled engineering resources due to the number of capital works projects on hand, Johan van Vuuren commenced employment on 3 September 2018 as Infrastructure Development Engineer.

Vernon van Gysen was appointed to the vacant position of Finance Manager on 20 August 2018.

The Future Outlook

Palmerston North Airport's vision remains to be New Zealand's leading regional airport.

Notwithstanding a degree of contraction in passenger volumes forecast for 2019/20, the Company recognises that planned regional infrastructure expenditure in excess of $4 billion over the next decade will result in a further step change in demand for air services to/from Palmerston North. A terminal development plan is now being progressed to ensure that terminal infrastructure will be able to accommodate further increases in demand.

Ruapehu Business Park commercial activity will gather pace in 2019/20 with the construction of a subdivision adjacent to the airport. Local and national interest in Ruapehu Business Park has been high. The Company will continue to focus on attracting new businesses to the 20-hectare development.

The Company will continue with its programme of carbon neutrality to meet its environmental responsibilities. Stage 2 of the Airport Carbon Accreditation Programme will be achieved during 2019/20.

Regional and local community engagement and sponsorship will remain a major focus for the Company as will the continual improvement in the airport experience for travellers and other airport users.

Further PFAS testing is programmed to occur in 2019/20 in order to further understand the extent of historical contamination in isolated pockets of airport land.

Murray Georgel
Chairman

David Lanham
Chief Executive

CORPORATE REPORT

For the year ended 30 June 2019

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

Principal Activities

The principal activities of the Company during the year were:

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

Ownership

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

Financial Report

Here are the financial results for the year under review. Details of these financial results are shown on pages 13, 24 to 27.

	2019 Actual	***2019 SOI***	***2018 Actual***
Performance			
Revenue	10,202,063	9,952,224	8,482,757
EBITDA	5,025,429	5,168,954	4,073,896
Net Profit After Tax	2,764,531	1,910,545	1,609,019
Passengers	687,142	656,310	657,515
Financial Position			
Cash & Cash Equivalents	126,924	109,973	196,233
Current Assets	1,165,703	809,508	1,267,144
Property, Plant & Equipment	81,624,924	84,412,705	76,034,700
Shareholder Funds	67,480,663	61,893,241	60,704,107

Company's Affairs

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

Directors

Reappointments

During the 2018/19 financial year, Murray Georgel retired by rotation and was reappointed to the Board by the Shareholder in December 2018.

Appointments

There were no new appointments to the Board during the 2018/19 financial year.

Directors' remuneration

For the year ended June 2019, the amount of $108,000 ($90,000: 2018) for Director Remuneration was paid, or due and payable, to members of the Board as authorised by the shareholder as follows:

	2019	***2018***
Georgel M	33,600	28,000
Gillespie G F	18,000	15,000
Nichols J	20,400	17,000
Adlam J	18,000	15,000
Cardwell C	18,000	15,000
	***108,000**	**90,000**

(*) The $104,350 reported in the Profit and Loss account includes a $3,650 accrual reversal.

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

Directors' indemnity and insurance

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

Use of company information by Directors

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

Shareholding by Directors

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

687,142

Passengers in 2019

$10,202,063

Revenue

$2,764,531

Net Profit After Tax

$67,480,663

Shareholder Funds

$81,624,924

Property, Plant & Equipment

Directors' interests

During the course of the financial year to 30 June 2019, Directors declared interest in the following entities:

Interest	*Nature of Interest*	*Relationship to PNAL*
Mr J Nichols		
Chair	Centralines Ltd	None
Director	Nichols Consulting Ltd	None
Chair	Hastings District Council Audit Subcommittee	None
Chair	Audit and Risk Committee of Maungahahuru Tangitu Trust	None
Ms J Adlam		
Co Chair	The Sustainability Trust	None
Chair	Tautoko Services	None
Coach	The Ice House	None
Director	Lifeland Developments Ltd	None
Member	Lottery Wellington/Wairarapa Community Committee	None
Director	Haunt Digital (ceased July 2018)	None
Director	Fresh Focus Ltd (ceased November 2018)	None
Mr M Georgel		
Director & Shareholder	NV Enterprises Ltd	None
Director & Shareholder	Xenos Ltd	None
Director	The Factory NZ Ltd (previously BCC Ltd)	None
Director	Manawatu Investment Group Ltd	None
Director	MIG Nominee No.1 Ltd	None
Trustee	Sir Patrick Higgins Charitable Trust	None
Director	Zeddy Ltd (previously Calf Smart Ltd)	None
Director	Aorangi Hospital Ltd	None
Trustee	Arohanui Hospice Service Trust	None
Trustee	Arohanui Hospice Foundation Trust	None
Director	Levno Ltd	None
Director	Crest Hospital Ltd	None
Director & Shareholder	CH Management Ltd	None
Trustee	Central Energy Trust	None
Trustee	PN Theatre Trust (Centre Point Theatre)	Sponsor ($10,000 commenced 1 July 2018)
Mr C Cardwell		
Director	Waikato District Health Board	None
Director & Shareholder	Australis Property Ltd	None
Director & Shareholder	Laurent Investments Ltd	None
Director	Kaipara Whenua Hoko Holdings Ltd	None
Director	Te Uru Ltd	None
Mr G Gillespie		
Director	Tui Products (ceased November 2018)	None
Director & Shareholder	Max Fashions (ceased November 2018)	None

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

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

Schedule of Board meeting attendances

Director	***Number of meetings held***	***Number of meetings attended***
Mr M Georgel	11	11
Mr G Gillespie	11	9
Mr J Nichols	11	11
Ms J Adlam	11	11
Mr C Cardwell	11	8

Remuneration of employees

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

	2019	***2018***
$130,000 - $140,000	1	-
$260,000 - $270,000	-	1
$270,000 - $280,000	1	-

Auditors

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

Auditor's remuneration of $29,965 (GST exclusive) for the 2019 annual audit is reflected in the financial statements as due and payable.

Donations

The Company made donations of $500 this year (2018: $1,000).

Audit and Risk Committee

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

SERVICE PERFORMANCE

For the Year Ended 30 June 2019

STATEMENT OF SERVICE PERFORMANCE

The Company's Statement of Intent, against which performance is judged, is dated May 2018.

The Company is trading as Palmerston North Airport Limited.

The ratio of consolidated shareholder funds to total assets has been maintained above 70%, inclusive of revaluations of land and buildings.

Palmerston North Airport has been maintained as an airport certificated pursuant to Civil Aviation Rule Part 139 and has achieved satisfactory audits during the period.

All obligations under the Resource Management Act and the District Plans of the Palmerston North City Council and Manawatu District Council have been met.

OUR VISION - WHAT WE ASPIRE TO BE

To be New Zealand's leading regional airport.

OUR MISSION - OUR AIMS AND VALUES

Commercial

We will operate a sustainable business to ensure long term success.

Infrastructure and our people objectives are included within the commercial objectives, as both are enablers of a sustainable business platform from which commercial activities can be executed. Revenue growth and revenue diversification, together with prudent cost management are our focus to ensure financial stability and to enable a fair distribution to shareholders.

Compliance

We will maintain a safe and secure operation and ensure ongoing compliance with all standards and regulations.

Regulatory compliance and a renewed focus on safety and security will provide the necessary environment in which other strategic objectives can be achieved.

Customer

We will treat all Airport users as our customers.

Our customers not only include travellers and meeters and greeters but also all other airport users including our tenants, suppliers and transport operators.

Community

We will be a leader for regional environmental guardianship and engagement with iwi and communities.

A new strategic focus which captures PNAL's newly developed environmental and community objectives. We will support our regional communities by identifying opportunities to engage with local groups and Iwi. We will continue to showcase our sense of place and cultural linkages to our region. We will develop a pathway to achieve our long-term vision of carbon neutrality while immediately activating emission reducing programmes across our business activities.

PERFORMANCE MEASURES

For the Year Ended 30 June 2019

		2019 Actual	2019 SOI	2018 Actual
1. Ratio of net surplus before interest/ tax/revaluations to Total Assets	*(1)*	3.6%	3.9%	3.2%
2. Ratio of net surplus after tax to consolidated shareholders funds inclusive of revaluation reserve	*(2)*	4.1%	3.1%	2.7%
3. Maintain a ratio of consolidated shareholders funds to Total Assets		75%	72%	78%
4. Interest cover ratio of net surplus before Interest		6.0	4.9	n/a
5. Maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above $50m		$67.5m	$61.9m	$60.7m
6. Maintain Civil Aviation Rule part 139 certification	*(3)*	Achieved	Achieve	Achieved
7. Maintain a Net Promoter Score of 50 or above Measured on an annual basis	*(4)*	40%	60%	n/a
8. Total Passenger Throughput		687,142	656,310	657,515
9. To achieve zero lost time injuries to those who work within our airport community		12.5 Hrs	Zero	n/a
10. Complete roadmap to carbon neutrality		Completed	Complete	n/a
11. Achievement of emission reduction targets		Achieved	Achieve	n/a
Energy consumption (KwH/ Passengers)		5%	5%	n/a
Waste to landfill (Kg/1,000 Passengers)	*(5)*	n/a	15%	n/a
Water consumption (Litres/ Passenger)	*(5)*	n/a	10%	n/a

(1)

SOI did not include a revaluation. Excluding the revaluation the metric would have been 3.8%

(2)

SOI did not include a revaluation. Excluding the revaluation the metric would have been 3.0%

(3)

The 5 yearly CAA Audit was conducted in 2014, and the next audit will be completed in September 2019.

(4)

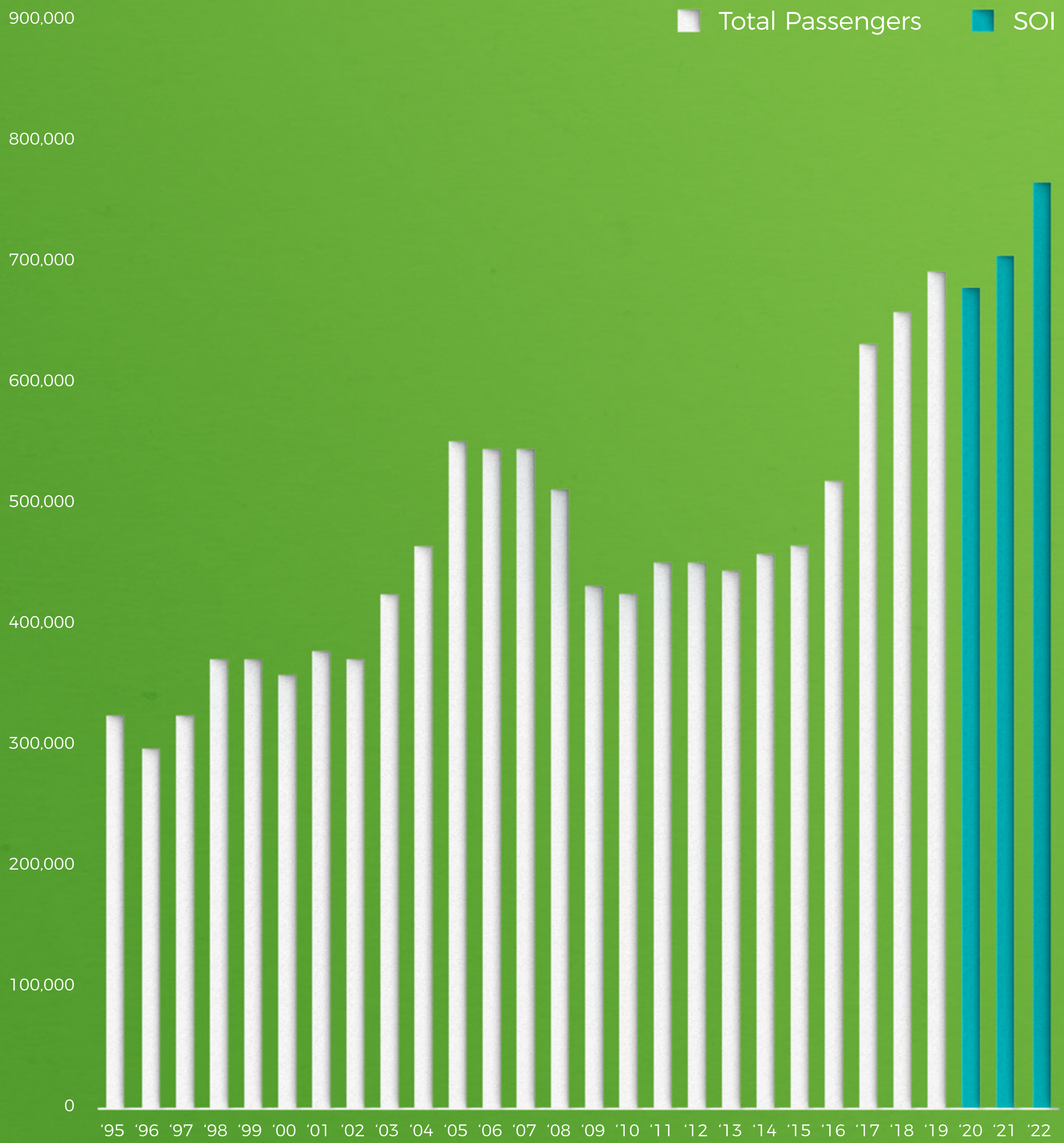
Due to the modification of the NPS questionnaire during the year, the benchmark was reset in the 2019/20 SOI. Results reported above relate to the survey period February - June 2019.

(5)

PNAL is still in the process of gathering and recording 2018-19 data for setting of the baseline for reduction targets.

ANNUAL PASSENGER VOLUMES

Actuals plus SOI Forecast (1995 - 2022)



SCHOOL OF AVIATION

Construction of the Massey University School of Aviation facility was completed in June 2019. Completed on time and within budget, the $5.2 million facility is the largest commercial project managed by Palmerston North Airport Limited to date.

The project's completion marks a milestone for the Airport Company in terms of its longstanding relationship with Massey University School of Aviation. Identified as a key strategic pillar of the Company, further growth in aviation tertiary training can now be facilitated at this world class campus.

The facility, which is located at the entrance to Ruapehu Business Park at Palmerston North Airport, brings the students, teaching and administration staff together within a single purpose-built facility for the first time.

Demand for the School's various learning programmes continues to be strong. These include academic programmes in aviation management, doctoral level studies, and short professional courses such as Remotely Piloted Aircraft Systems (RPAS).

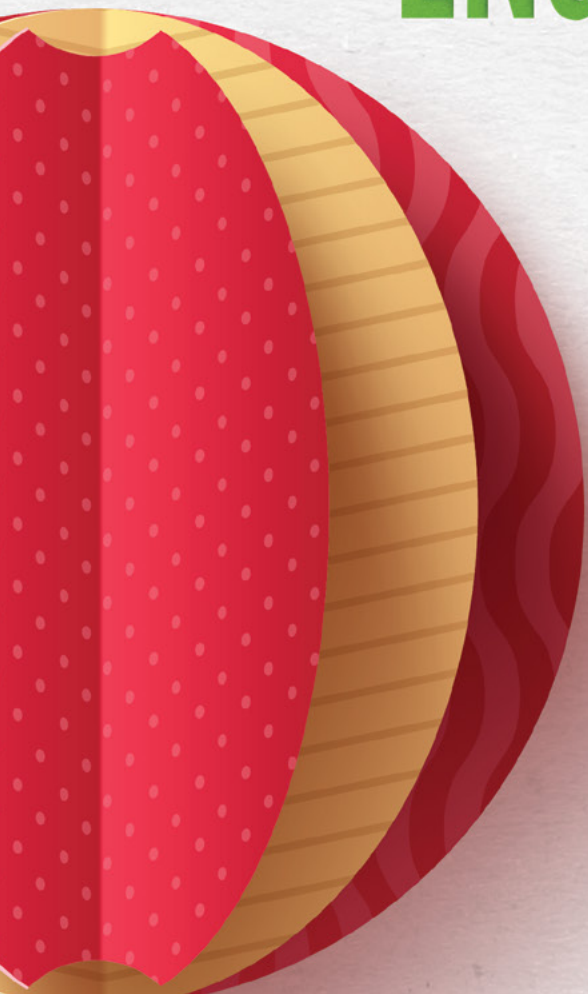
ENVIRONMENTAL GUARDIANSHIP

This year the Airport Company started its journey towards carbon neutrality by joining the Airport Carbon Accreditation (ACA) Programme, a four-stage framework designed specifically for Airports worldwide to effectively manage and measure their carbon footprint. The Company has successfully achieved Stage 1 (Mapping) and progress has already begun on completing Stage 2 (Reduction), which involves creating and implementing a Carbon Management Plan.

The Company has also introduced a Carbon and Energy Reduction Policy which outlines the Airport's commitment to reducing its carbon emissions by completing all four stages of the ACA Programme, operating within energy efficient standards, and endeavouring to work with like-minded parties.

Emission reduction targets for energy consumption were set at the beginning of the financial year with a further 5% reduction in Airport terminal energy consumption per passenger achieved during the year.

COMMUNITY ENGAGEMENT



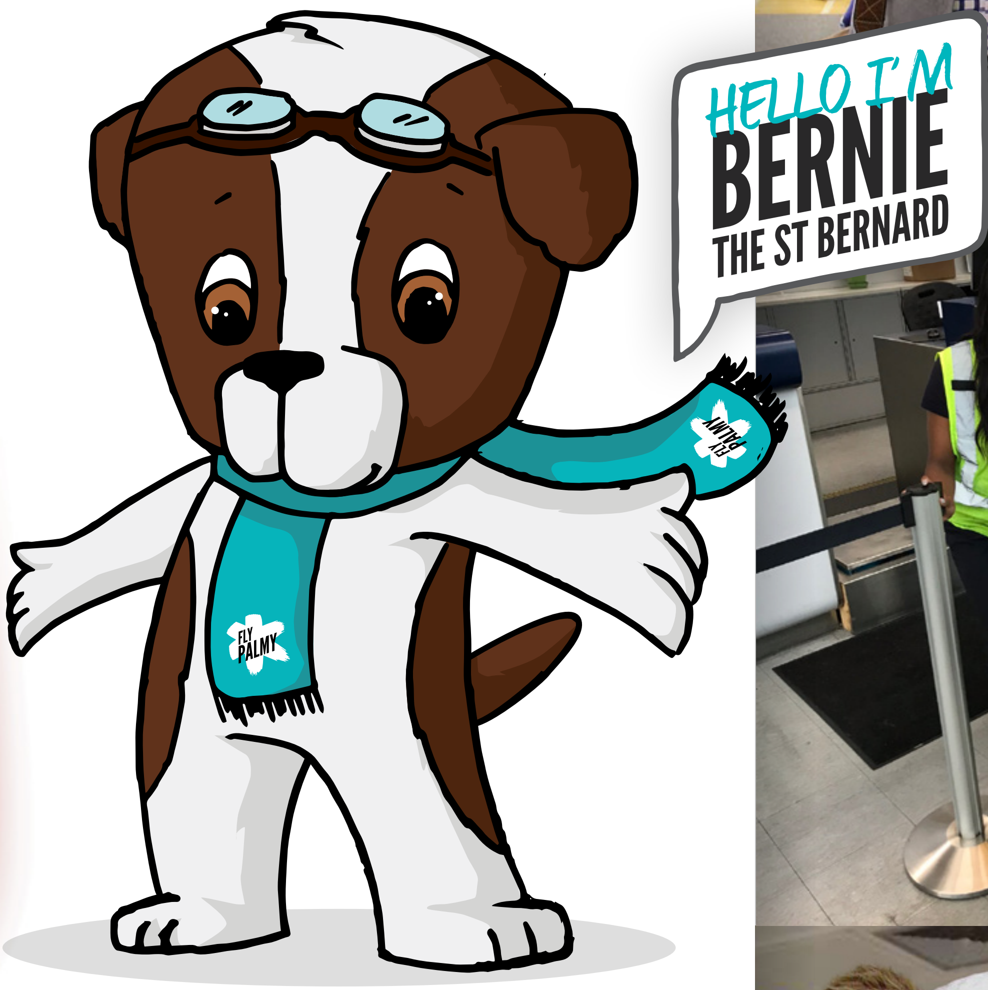
During 2018/19 Palmerston North Airport launched its Community Engagement programme.

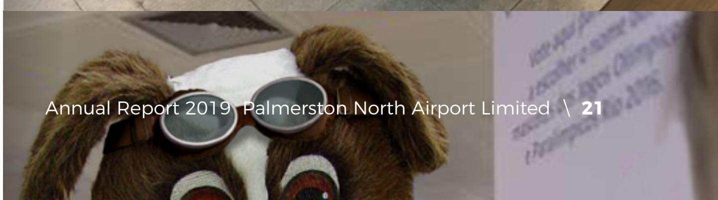
The programme's primary objective is to showcase our leadership in regional environmental guardianship and to bring the Airport Company closer to its regional and local communities through participation in grassroots community activities.

During the year, the Company's collaboration with Rangitāne continued with the commencement of the construction of an outdoor barbecue area at Te Rangimarie Marae. This facility will enable the Marae to host large school groups in a more informal setting while involving them in cultural and environmental activities. The project also involves assisting with the establishment of a café style outdoor seating area, with tables and umbrellas supplied by Palmerston North Airport Limited.

The Company's mascot, "Bernie the Saint Bernard" was launched during the year. Bernie will become our primary means of communicating our environmental and healthy lifestyle messages, especially to primary school groups across the wider region.

Bernie was present at the Central Pulse game played at the Fly Palmy Arena on 10th March and made appearances at local schools which had participated in a Fly Palmy – Central Pulse netball competition.





PALMERSTON NORTH AIRPORT LIMITED

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2019

	Note	*30-Jun-19 Actual $*	*30-Jun-19 SOI $*	*30-Jun-18 Actual $*
Revenue	1	**10,202,063**	**9,952,224**	**8,482,757**
Operating Expenses				
Operations and Maintenance				
Airfield Services		708,910	708,432	719,620
Other Operating Expenses	11	1,571,135	1,546,145	1,513,154
Total Operations and Maintenance		**2,280,045**	**2,254,577**	**2,232,774**
Administration				
Audit Fees	12	31,452	29,988	29,488
Bad Debts Written Off		143	5,000	-
Changes in Doubtful Debt Provision		2,174	10,000	18,816
Directors' Fees		104,350	90,000	90,000
Employee Expenses	7	1,264,902	1,183,413	979,802
General Administration		1,493,568	1,210,292	1,057,981
Total Administration		**2,896,589**	**2,528,693**	**2,176,087**
Total Operating Expenses		**5,176,634**	**4,783,270**	**4,408,861**
Earnings Before Interest, Taxation, Depreciation, Amortisation & Valuation of Investment Properties:		**5,025,429**	**5,168,954**	**4,073,896**
Finance Costs, Depreciation, Amortisation and Loss on Sale				
Finance Costs	9	522,347	682,794	279,238
Depreciation and Amortisation	2 & 3	1,821,379	1,832,625	1,582,752
Impairment and Loss on Sale of Assets	2	88,776	-	922
Total Finance Costs, Depreciation		**2,432,502**	**2,515,419**	**1,862,912**
Revaluation Gain - Investment Properties		1,051,349	-	-
Operating Surplus Before Taxation		3,644,276	2,653,535	2,210,984
Taxation Expense on Operating Surplus	6a	879,745	742,990	601,965
Net Surplus After Taxation Attributable to PNCC		**2,764,531**	**1,910,545**	**1,609,019**

Murray Georgel
Chairman

Jon Nichols
Director

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2019

	Note	30-Jun-19 Actual $	30-Jun-19 SOI $	30-Jun-18 Actual $
Net Surplus After Taxation Attributable To PNCC		2,764,531	1,910,545	1,609,019
Other Comprehensive Revenue and Expense				
Gains (Losses) on Property, Plant and Equipment Revaluations	*13d*	4,910,660	-	-
Movement in Deferred Tax at Revaluation	*13d*	(254,985)	-	-
Total Comprehensive Revenue and Expense Attributable to PNCC		**7,420,206**	**1,910,545**	**1,609,019**

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Note	30-Jun-19 Actual $	30-Jun-19 SOI $	30-Jun-18 Actual $
Equity at the Beginning of the Year		**60,704,107**	**60,574,210**	**59,614,744**
Total Comprehensive Revenue and Expense for the Year		7,420,206	1,910,545	1,609,019
Prior Year Adjustment		-	-	-
Distribution to Shareholder During the Year		(643,650)	(591,515)	(519,656)
Equity at the End of the Year Attributable to PNCC		**67,480,663**	**61,893,240**	**60,704,107**

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

STATEMENT OF FINANCIAL POSITION

For the Year Ended 30 June 2019

	Note	30-Jun-19 Actual $	30-Jun-19 SOI $	30-Jun-18 Actual $
Current Assets				
Cash and Cash Equivalents	5	126,924	109,973	196,233
Trade Accounts Receivable	4	825,070	697,677	615,811
Sundry Receivables and Prepayments		213,709	1,858	166,949
Assets Held for Sale		-	-	288,151
Total Current Assets		**1,165,703**	**809,508**	**1,267,144**
Less: Current Liabilities				
Revenue in Advance	14	149,316	90,000	122,884
Trade Accounts Payable	14	1,246,301	500,000	1,344,788
Other Creditors	14	534,898	272,501	504,431
Employee Benefit Liabilities	7	135,377	135,000	114,742
Borrowings	10	3,964,374	-	1,158,876
Total Current Liabilities		**6,030,266**	**997,501**	**3,245,721**
Working Capital		**(4,864,563)**	**(187,993)**	**(1,978,577)**
Add: Non Current Assets				
Property, Plant and Equipment	2	81,624,924	84,412,705	76,034,700
Investment Property	2a	6,813,357	575,000	575,000
Intangible Assets	3	12,978	11,363	17,304
Total Non Current Assets		**88,451,259**	**84,999,068**	**76,627,004**
Less: Non Current Liabilities				
Deferred Tax Liability	6b	8,056,033	8,075,726	7,844,320
Borrowings	10	8,050,000	14,842,108	6,100,000
Total Non Current Liabilities		**16,106,033**	**22,917,834**	**13,944,320**
Net Assets		**67,480,663**	**61,893,241**	**60,704,107**
Represented by:				
Shareholders Equity				
Paid in Capital	13a	9,380,400	9,380,400	9,380,400
Retained Earnings	13b	21,509,429	20,577,685	19,388,551
Asset Revaluation Reserve	13d	36,590,834	31,935,156	31,935,156
Total Shareholder's Equity		**67,480,663**	**61,893,241**	**60,704,107**

For and on behalf of the Board

Murray Georgel
Chairman

Jon Nichols
Director

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Note	30-Jun-19 Actual $	30-Jun-19 SOI $	30-Jun-18 Actual $
Cash Flows From Operating Activities				
Cash was provided from:				
Receipts from Customers		9,932,679	9,827,002	8,466,891
Interest Received		13,365	152	2,183
Tax Refund		-	-	-
		9,946,044	**9,827,154**	**8,469,074**
Cash was disbursed to:				
Payment to Suppliers and Employees		5,267,415	4,780,689	4,100,486
Tax Loss Payment to PNCC		-	-	91,676
Payment of Income Tax		853,192	780,000	690,702
Interest Payments		522,347	682,794	279,238
		6,642,953	**6,243,483**	**5,162,102**
Net Cash Flows from Operating Activities		**3,303,091**	**3,583,671**	**3,306,972**
Cash Flows From Investing Activities				
Cash was provided from:				
Sale of Property Plant and Equipment		-	2,700,000	49,971
Cash was applied to:				
Purchase of Property, Plant and Equipment		7,484,247	12,620,000	5,337,965
Net Cash Flow from Investing Activities		**(7,484,247)**	**(9,920,000)**	**(5,287,994)**
Cash Flow From Financing Activities				
Cash was provided from:				
Borrowing		21,517,443	7,322,000	11,850,000
Cash was applied to:				
Repayment of Borrowings		19,567,442	600,000	10,600,000
Payment of Dividends	13c	643,650	591,515	519,649
Net Cash from Financing Activities		**1,306,350**	**6,130,485**	**730,351**
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdraft		**(2,874,806)**	**(205,844)**	**(1,250,671)**
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the Year		(962,643)	315,842	288,028
Cash, Cash Equivalents and Bank Overdraft Year End	5*	**(3,837,449)**	**109,998**	**(962,643)**

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements
(*) Includes Current Portion of Term Loan of $3,964,374 not reflected under note 5, but shown in note 10.

NOTES TO THE

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Statement of Accounting Policies for the Year ended 30 June 2019

Reporting Entity

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

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

The financial statements of the Company are for the year ended 30 June 2019. The financial statements were authorised for issue on 21 August 2019 by the Board.

Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

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

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

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

These financial statements comply with PBE standards.

Presentation Currency and Rounding
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Palmerston North Airport Limited.

Significant Accounting Policies

Measurement Basis
The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, and infrastructure assets.

1. Analysis Of Operating Revenue

	2019 Actual	***2018 Actual***
Exchange Revenue		
Aeronautical Charges	6,193,333	5,021,996
Car Park, Rent and Advertising	3,795,528	3,276,917
Other	199,837	183,818
Interest	13,365	26
	10,202,063	**8,482,757**

Revenue Measurement and Recognition

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

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

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

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

2. Property, Plant And Equipment

	Land	Buildings	Airside Infrastructure	Landside Infrastructure	Total Infrastructure	Plant and Equipment	Furniture and Fittings	Computer Equipment	Motor Vehicles	Total
Balances 1 July 2018										
Cost / Valuation	27,731,545	15,004,122	27,438,558	8,254,128	35,692,687	2,451,849	542,776	256,738	11,676	81,691,394
Accumulated Depreciation	-	(303,565)	(851,878)	(2,485,936)	(3,337,814)	(1,420,283)	(385,953)	(197,918)	(11,162)	(5,656,694)
Carrying Amount	**27,731,545**	**14,700,557**	**26,586,680**	**5,768,192**	**32,354,872**	**1,031,566**	**156,824**	**58,820**	**515**	**76,034,700**
Movements for the Year										
Reverse Prior Year Work in Progress	(19,696)	(3,070,970)*	(484,337)	(157,390)	(641,727)	-	-	(10,000)	-	(3,742,393)
Additions & Current Year Work in Progress	4,350	1,355,528	1,805,201	2,237,978	4,043,179	586,023	15,442	35,114	-	6,039,637
Disposals	-	-	(27,006)	(332,636)	(359,643)	(516,155)	(249,628)	(113,592)	(11,676)	(1,250,694)
Abandoned Projects	-	-	-	-	-	-	-	-	-	-
Revaluation Surplus	4,000,000	252,270	-	-	-	-	-	-	-	4,252,270
Reclassification	288,151	-	-	-	-	-	-	-	-	288,151
Disposals - Accumulated Dep.	-	-	3,268	300,354	303,622	482,870	242,322	113,592	11,542	1,153,948
Depreciation for the Year	-	(362,797)	(921,157)	(237,476)	(1,158,633)	223,788	27,921	43,532	380	(1,817,051)
Dep. Reversal on Revaluation	-	666,362**	-	-	-	-	-	-	-	666,362
Closing Balances 30 June 2019										
Cost / Revaluation	32,004,350	13,540,950	28,732,416	10,002,080	38,734,491	2,521,717	308,590	168,260	-	87,278,359
Accumulated Dep.	-	-	(1,769,767)	(2,423,058)	(4,192,826)	(1,161,201)	(171,551)	(127,858)	-	(5,653,435)
Carrying Amount	**32,004,350**	**13,540,951**	**26,962,649**	**7,579,021**	**34,541,665**	**1,360,517**	**137,039**	**40,402**	**-**	**81,624,924**
Capital Work in Progress Included at Cost										
30-Jun-19	4,350	216,333	51,302	2,013,055	-	-	-	-	-	2,285,040

*
Includes $2.3m of 2017/18 WIP capitalised and reclassified as Investment Property during 2018/19

**
The reversal of accumulated depreciation for buildings resulting from the revaluation was higher than the revaluation increase. This has resulted in a net reduction in the Revaluation Surplus component of the Carrying Amount for buildings as at 30 June 2019.

	Land	Buildings	Airside Infrastructure	Landside Infrastructure	Total Infrastructure	Plant and Equipment	Furniture and Fittings	Computer Equipment	Motor Vehicles	Total
Balances 1 July 2017										
Cost / Valuation	28,013,432	11,649,958	25,836,507	7,745,275	33,581,783	2,225,981	500,513	222,832	11,676	76,206,176
Accumulated Depreciation	-	-	-	(2,267,784)	(2,267,784)	(1,401,839)	(357,562)	(156,973)	(10,721)	(4,194,878)
Carrying Amount	**28,013,432**	**11,649,958**	**25,836,507**	**5,477,491**	**31,313,998**	**824,142**	**142,952**	**65,859**	**956**	**72,011,298**
Movements for the Year										
Additions & Work in Progress	6,264	3,355,854	1,602,051	508,853	2,110,904	339,552	42,263	33,906	-	5,888,743
Disposals	-	(1,690)	-	-	-	(113,684)	-	-	-	(115,374)
Abandoned Projects	-	-	-	-	-	-	-	-	-	-
Revaluation Surplus	-	-	-	-	-	-	-	-	-	-
Reclassification	(288,151)	-	-	-	-	-	-	-	-	(288,151)
Disposals - Accumulated Dep.	-	-	-	-	-	116,368	-	-	-	116,368
Depreciation for the Year	-	(303,565)	(851,878)	(218,152)	(1,070,030)	(134,812)	(28,391)	(40,945)	(441)	(1,578,184)
Dep. Reversal on Revaluation	-	-	-	-	-	-	-	-	-	-
Closing Balances 30 June 2018										
Cost / Revaluation	27,731,545	15,004,122	27,438,558	8,254,128	35,692,687	2,451,849	542,776	256,738	11,676	81,691,394
Accumulated Dep.	-	(303,565)	(851,878)	(2,485,936)	(3,337,814)	(1,420,283)	(385,953)	(197,918)	(11,162)	(5,656,694)
Carrying Amount	**27,731,545**	**14,700,557**	**26,586,680**	**5,768,192**	**32,354,872**	**1,031,566**	**156,824**	**58,820**	**515**	**76,034,700**
Capital Work in Progress Included at Cost										
30-Jun-18	19,696	3,070,970	484,337	157,390	-	-	-	10,000	-	3,742,393

Land, Buildings and Airside Infrastructure Fair Value

Land
Land is valued at fair value.

The most recent valuation was performed by independent registered valuers, Morgans Property Advisors. The valuation is effective as at 30 June 2019 and resulted in an increase in value of $4.0m.

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

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

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

Key Assumptions
The independent valuation advice is based on the following key assumptions:

- The hypothetical areas determined
- Land sales and cost have been spread over a ten-year period
- Annual land inflation has been set at 2.5%
- Basic development costs, i.e. servicing, earthworks etc are estimated to be 20% of the sale price
- Discount rate of 20%

Sensitivity Analysis
Sensitivity analysis has been completed where key changes in key inputs to assumptions would significantly change the fair value. The change to the valuation from changing these inputs has been estimated as follows:

- Decreasing the discount rate to 17.5% would result in an increase of land value of $2.4 million. An increase to the discount rate to 22.5% would result in a reduction of the land value of $2.3 million.
- If the land inflation rate was increased to 5% this would result in an increase of land value of $2.25 million. No land inflation rate over the 10 years would result in a reduction to land value of $1.6 million.
- An increase of basis development costs by 10% would result in a reduction of $4.7 million.

Buildings
The most recent valuation was performed by independent registered valuers Morgans Property Advisors. The valuation is effective as at 30 June 2019 and resulted in an increase of $0.919m.

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

Airside Infrastructure
The most recent valuation was performed by independent consultant engineers and valuers AECOM New Zealand Limited. The valuation is effective as at 30 June 2017 and occurs no changes.

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

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

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

Impairment
Impairment for Property, Plant and Equipment for 2018/19 was Nil (2018: Nil).

Property, Plant and Equipment Pledged as Security on Borrowings

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

Assets Held for Sale

As at 30 June 2019 the Company was advertising lots for sale, however, at that date none of the criteria have been met for reclassification as Assets Held for Sale. As at 30 June 2018 the Company was negotiating 2 land lots for sale being a total area of 5,620m^2. The unimproved carrying value of this land was $288,151. Plans for the development of the subdivision are at a very early stage.

Property Plant and Equipment

Property Plant and Equipment consists of:

Operational Assets
These include land, buildings, furniture and fittings, computer equipment, motor vehicles and various plant and equipment.

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

Measurement of Property, Plant, Equipment and Intangible Assets

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses with the following exception:

- Land is measured at fair value
- Buildings and airside infrastructure are measured at fair value less accumulated depreciation.

Revaluations
Land, buildings and airside infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and are revalued at least every three years. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued.

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

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

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

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

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

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

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

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

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

Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment other than land at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of the major categories have been estimated as follows:

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

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

Impairment of Property, Plant, Equipment and Intangible Assets

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the surplus and deficit account.

Value in Use for Non-Cash-Generating Assets
Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in Use for Cash-Generating Assets
Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Non-current Assets Held for Sale

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

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

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

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

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, Plant and Equipment Useful Lives and Residual Values
At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Revenue and Expense, and carrying amount of the asset in the Statement of Financial Position. The Company minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values.

2a. Investment Property

	2019 Actual	2018 Actual
Balance as at 1 July	575,000	575,000
Massey WIP 1 July	2,332,661	-
Additions and Acquisitions	2,854,347	-
Depreciation	-	-
Reclassification from PPE	-	-
Fair Value Gains/(Losses) on Valuation	1,051,349	-
	6,813,357	**575,000**

Investment Properties

Investment properties are valued annually at 30 June at fair value. The valuation was performed independent valuers Morgans Property Advisors as at 30 June 2019.

Rental income for the year was $339.6k (2018: $57.4k). There were no expenses from investment property generating income. No contractual obligations for capital expenditure and no contractual obligations for operating expenditure.

3. Intangible Assets

Balances 1 July 2018	*Website Development*	*Total*
Cost / Valuation	21,928	21,928
Accumulated Depreciation	(4,624)	(4,624)
Carrying Amount	**17,304**	**17,304**
Movements for the Year		
Additions	-	-
Disposals	-	-
Revaluation Writedown	-	-
Re-classification of Renovations	-	-
Disposals - Accumulated Dep.	-	-
Amortisation for the Year	(4,326)	(4,326)
Dep. Reversal on Revaluation	-	-
Closing Balances 30 June 2019		
Cost / Revaluation	21,928	21,928
Accumulated Dep.	(8,950)	(8,950)
Carrying Amount	**12,978**	**12,978**
Capital Work in Progress Included at Cost	**-**	**-**

Balances 1 July 2017	*Website Development*	*Total*
Cost / Valuation	21,928	21,928
Accumulated Depreciation	-	-
Carrying Amount	**-**	**-**
Movements for the Year		
Additions	-	-
Disposals	-	-
Revaluation Writedown	-	-
Re-classification of Renovations	-	-
Disposals - Accumulated Dep.	-	-
Amortisation for the Year	-	-
Dep. Reversal on Revaluation	-	-
Closing Balances 30 June 2018		
Cost / Revaluation	21,928	21,928
Accumulated Dep.	(4,624)	(4,624)
Carrying Amount	**17,304**	**17,304**
Capital Work in Progress Included at Cost	**-**	**-**

Intangible Assets

Internally Generated Intangible Assets
Costs associated with the development of the Company's web-site are recognised as an intangible asset and are capitalised on the basis of the cost incurred to bring to use the intangible asset. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. The amortization charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortization rates of major classes of intangible assets have been estimated as follows:

Website Development 4 years : 25%

4. Trade Accounts and Other Receivables

	2019 Actual	2018 Actual
Exchange Receivables		
Debtors and Other Receivables	832,534	628,196
Receivables from Related Party	9,526	2,431
Provision for Impairment	(16,990)	(14,816)
Total	**825,070**	**615,811**

Movements in the provision for impairment of Receivables are as follows:

	2019 Actual	2018 Actual
Balance at 1st of June	(14,816)	-
Additional Provisions	(2,174)	(14,816)
Provisions Reversed	-	-
Receivables Written Off	-	-
Total	**(16,990)**	**(14,816)**

Trade and Other Receivables

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

5. Cash and Cash Equivalents

	2019 Actual	2018 Actual
Current Account	88,689	167,432
Cash on Hand	32,384	17,957
Short Term Investment Account	5,851	10,844
Total	**126,924**	**196,233**

Cash, Cash Equivalents and Bank Overdrafts

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

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

6a. Taxation

	2019 Actual	2018 Actual
Operating Surplus (Deficit) Before Taxation	3,644,276	2,210,984
Tax there on	1,020,396	619,075
plus (less) tax effect of:		
- Permanent differences / non-deductible expenditure	(299,576)	23,010
- Prior year under / (over) provision	(411)	-
- Deferred tax adjustment for the year & deferred tax movement at revaluation	159,336	(40,120)
Tax Charge for the Year	**879,746**	**601,965**
Tax expense for the year comprising:		
Current Tax	923,429	833,371
Prior Year Adjustments	(411)	-
Deferred Tax from Current Year Activity	(43,273)	(231,406)
	879,745	**601,965**

6b. Deferred Tax (Assets) / Liabilities

	Property, Plant and Equipment	Employee Entitlements	Other Provisions	Total
Balance at 1 July 2018	**7,874,733**	**(25,979)**	**(4,435)**	**7,844,320**
Charged to Surplus and Deficit - Current Year	(30,766)	(11,926)	(580)	(43,272)
Charged to Other Comprehensive Income	254,985	-	-	254,985
Balance at 30 June 2019	**8,098,953**	**(37,905)**	**(5,015)**	**8,056,033**
Balance at 1 July 2017	**8,097,349**	**(20,859)**	**(765)**	**8,075,725**
Charged to Surplus and Deficit - Current Year	(222,615)	(5,120)	(3,670)	(231,406)
Charged to Other Comprehensive Income	-	-	-	-
Balance at 30 June 2018	**7,874,733**	**(25,979)**	**(4,435)**	**7,844,320**

Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

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

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

Goods and Services Tax

All items in the financial statements are stated exclusive of Goods and Services Tax (GST) with the exception of receivables and payables, which are stated, with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are stated exclusive of GST.

7. Employee Benefit Liabilities

	2019 Actual	2018 Actual
Accrued Pay	48,159	51,959
Annual Leave	84,428	61,176
Sick Leave	2,789	1,607
Total	**135,377**	**114,742**

7a. Employee Expenses

	2019 Actual	2018 Actual
Salaries and Wages	1,208,593	942,454
Employer Contribution to Kiwi Saver	35,674	31,419
Movement in Employee Entitlements	20,635	5,929
Total	**1,264,902**	**979,802**

8. Commitments

	2019	2018
Operating Commitments as Lessee		
Less than 1 Year	72,020	56,659
Between 1 and 5 Years	87,707	59,163
Over 5 Years	-	-
Total	**159,727**	**115,822**
Operating Commitments as Lessor		
Less than 1 Year	1,456,295	1,008,320
Between 1 and 5 Years	4,026,423	1,811,142
Over 5 Years	6,477,730	513,611
Total	**11,960,448**	**3,333,073**
On-Going Month to Month Leases	**90,296**	**118,742**

These commitments are GST exclusive.

Employee Entitlements

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

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

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

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

Presentation of Employee Entitlements
Sick leave and annual leave are classified as a current liability.

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

Leases

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

Operating Commitments as Lessee

PNAL leases computer and electronic equipment, lift infrastructure, billing software, advertising and two motor vehicles. The unexpired terms of leases as at 30th June 2019 range from 5 to 34 months.

Operating Commitments as Lessor

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

2019 and 2018 commitments have been calculated until the end of the current right of renewal, or end of the contract, whichever comes first. These commitments relate to property leases, advertising, and rental agency contracts and are GST exclusive.

There are other ongoing leases amounting to $90,296 per annum that are on a month to month basis (2018: $118,742). There are no contingent rents recognized as revenue in the period.

9. Finance Costs

	2019 Actual	2018 Actual
Interest on Secured Long Term Loans	522,347	279,238
	522,347	**279,238**

Capital Commitments

PNAL had capital commitments of $0.340m as at 30 June 2019. $0.162m relates to the construction of the Massey Aviation Facility and $0.147m relates to the extension of the Long Stay Car Park. Commitments at 30 June 2018 were $4.640m.

10. Borrowings

	2019 Actual	2018 Actual
Current Borrowings / Overdraft	3,964,374	1,158,876
Non-Current Borrowings	8,050,000	6,100,000
Total	**12,014,374**	**7,258,876**

Borrowings and Borrowing Costs

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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

Registered mortgage over property owned by the Company secure the $12.01m (2018: $7.26m) borrowings from Bank of New Zealand. This includes existing perfected security interest in all present and after acquired property of Palmerston North Airport Limited. Refer to Note 2 for the carrying value of the secured assets at balance date.

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

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

11. Other Operating Expenses

	2019 Actual	2018 Actual
Rates	373,963	357,380
Power and Insurance	346,787	310,943
Repairs and Maintenance	850,385	844,831
Total	**1,571,135**	**1,513,154**

12. Audit Fees

	2019 Actual	2018 Actual
Fees are for Audit of Financial Statements Palmerston North Airport Limited	29,965	28,988
Disbursements	630	-
Audit Fees from Other Providers	857	500
Total	**31,452**	**29,488**

13. Equity

(a) Share Capital

	2019 Actual	2018 Actual
9,195,000 Ordinary Fully Paid Share Capital at 30 June	9,380,400	9,380,400
Closing Balance	**9,380,400**	**9,380,400**

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

(b) Retained Earnings

	2019 Actual	2018 Actual
Opening Balance	**19,388,551**	**18,299,188**
Net Operating Surplus	2,764,531	1,609,019
Dividends Paid During Year	(643,650)	(519,656)
Transfer from Asset Revaluation Reserve for Sale of Asset		
Closing Balance	**21,509,432**	**19,388,551**

(c) Dividends:

Once the solvency test has been satisfied, the Directors will declare a fully imputed dividend of 7.305 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2019 representing $685,238 for the 12 months ending 30 June 2019. (A dividend of 7.0 cents per $1 paid up share capital representing $643,650 was declared for the 12 months ending 30 June 2018 and paid on 26 September 2018).

(d) Asset Revaluation Reserve

	2019 Actual	*2018 Actual*
Opening Balance	**31,935,156**	**31,935,156**
Revaluation Movement		
- Land	4,000,000	-
- Buildings	663,646	-
- Airside Infrastructure	(7,969)	-
Less Deferred Taxation		
Movement - Buildings	-	-
Movement - Airside Infrastructure	-	-
Transfer to Retained Earnings for Sale of Asset	-	-
Closing Balance	**36,590,833**	**31,935,156**
Asset Revaluation Reserve Consists of		
- Land	20,211,046	16,211,046
- Buildings	2,254,070	1,590,424
- Airside Infrastructure	14,125,717	14,133,686
	36,590,833	**31,935,156**

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Retained Earnings;
- Paid in Capital;
- Asset revaluation reserve;

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

Critical Judgments in Applying Accounting Policies

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

14. Trade Accounts Payable

	2019 Actual	*2018 Actual*
Revenue in Advance from Exchange Transactions	149,316	122,884
Revenue in Advance from Non-Exchange Transactions	-	-
Total	**149,316**	**122,884**
Trade Accounts Payable from Exchange Transactions		
Trade Accounts Payable	839,101	1,004,027
Payables to Related Party	6,046	5,197
Trade Accounts Payable from Non-Exchange Transactions		
Tax Payable	401,154	335,564
Total	**1,246,301**	**1,344,788**
Other Creditors from Exchange Transactions		
Other Creditors	584,389	632,223
Other Creditors from Non-Exchange Transactions		
GST (refundable) / payable	(49,491)	(127,792)
Total	**534,898**	**504,431**

15. Related Party Transactions

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

PNAL received services from PNCC during the 12 months ended 30 June 2019 for $439,036 exclusive of GST (2018: $495,708 exclusive of GST). In addition a tax loss offset of $141,629 resulted in a tax refund of $39,656 for the 2017/18 tax year. (2018: The tax loss offset for 2016/17 was $327,414 and resulted in a $91,676 tax refund). The tax refunds were paid to PNCC.

PNAL pays a dividend to PNCC each year equating to 40% of after tax surplus. Once the solvency test has been satisfied, the Directors will declare a fully imputed dividend of 7.305 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2019 representing $685,238 for the 12 months ending 30 June 2019, (a dividend of 7.0 cents per $1 paid up share capital representing $643,650 was declared and paid to PNCC for the 12 months ending 30 June 2018).

PNAL provided services to PNCC during the 12 months ended 30 June 2019 for $78,238 exclusive of GST. (2018: $18,534).

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

PNAL owed Palmerston North City Council $6,046 inclusive of GST as at 30 June 2019, (the balance owing, as at 30 June 2018 was $2,644.

Palmerston North City Council owed the PNAL $9,526 inclusive of GST as at 30 June 2019, (the balance owing as at 30 June 2018 was $2,451).

Key Personnel Remuneration

	2019 Actual	***2018 Actual***
Directors Remuneration	108,000	90,000
Full Time Equivalents	5	5
Senior Management Team Including the Chief Executive Remuneration	723,458	624,163
Full Time Equivalents	6	6

Other Significant Policies

Other Financial Assets

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

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

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

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

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

The Company has the following relevant category:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus and deficit account.

Impairment of Financial Assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and Receivables
Impairment is established when there is evidence that the Company and group will not be able to collect amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

Statement of Cash Flows

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

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

Financing activities comprise the change in equity and debt capital structure of the Company.

16. Major Variances Explained

Account	*Actual*	*Budget/SOI*	*Variance*	Notes
Operating Revenue	10,202,063	9,952,224	249,839	Higher than budgeted Aeronautical Revenue.
Operations Expenditure	2,280,045	2,254,577	25,468	Slight overspend on Maintenance in line with expectations as Asset Management Plan is refined.
Finance Costs	522,347	682,794	(160,447)	Borrowings were less than budgeted due to the timing of capital project payments and at rates lower than budgeted.
Depreciation & Amortisation	1,821,379	1,832,625	(11,246)	Depreciation costs were less than budgeted due to the timings of capital projects.
Dividends Paid	643,650	591,515	52,135	Higher payment due to 2017/18 Net Profit after Tax being higher than the SOI.
Deferred Tax Liability	8,056,033	8,075,726	(19,693)	The impact of the fixed asset write-off in June 2019 was unknown at the time of setting the 2018 Budget/SOI.
Current Assets	1,165,703	809,508	356,195	2019 actual figures include the prepayment of insurance premiums for the 2019/20 year (not budgeted).
Current Liabilities (excluding bank overdraft)	2,065,892	997,501	1,068,391	Higher than budgeted trade creditors and prepayments relating to major payments due on capital projects.
Property, Plant, Equipment & Intangible Assets & Investment Property	88,451,259	84,999,068	3,047,846	Exceeded SOI due to $4.8m revaluations not budgeted for in 2018/19.
Total Borrowings	12,014,374	14,842,108	(2,827,734)	Relates to deferral of budgeted capital projects.

17. Financial Instruments

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

Financial Assets	***Rating****	***2019***	***2018***
Cash and Cash Equivalents	AA-	126,924	196,233
Trade Receivables		825,070	615,811
Total Financial Assets		**951,994**	**812,044**

* Standard & Poor's Rating for BNZ

Financial Liabilities	***2019***	***2018***
Trade Accounts and Other Payable	1,781,199	1,849,219
Bank Overdraft	3,964,374	1,158,876
Borrowings - Secured Loans	8,050,000	6,100,000
Total Financial Liabilities	**13,795,573**	**9,108,095**

18. Events After Balance Date

There have been no other significant events occurring after Balance Date.

19. Contingencies

The New Zealand Environmental Protection Agency commenced a review during 2018 into the use of PFOS foam in firefighting applications, including at airports. Investigations at Palmerston North Airport have since confirmed that this foam was used for firefighting training exercises at the airport up until the late 1980s. All PFOS foam was successfully removed from the fire appliances and storage containers onsite during the 2018/19 financial year. Testing was also conducted on airport land to establish the extent and level of contamination with further testing expected over the next two years.

As at balance date, the extent of any remedial work and associated costs were still unknown.

FINANCIAL HIGHLIGHTS

Year Ending	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statement of Financial Performance:	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**
Total Revenue	10,202	8,483	7,313	5,523	4,943	4,818	4,590	4,480	4,225	3,981	4,090
Net Surplus Before Interest, Depn, Taxation	5,025	4,074	3,534	2,391	2,064	1,847	1,765	1,739	1,821	1,674	1,888
Net Surplus Before Taxation & Misc Items (*)	2,593	2,211	1,849	841	911	756	709	684	748	501	658
Net Surplus After Taxation Excluding Deferred Tax Adjustments (*)	1,713	1,609	1,299	805	662	544	492	496	535	327	423
Earnings Per $ of Paid Up Share Capital (excl. any Premium on Issue and Deferred Tax Adjustments) (*)	18.26c	17.50c	14.13c	8.75c	7.20c	5.92c	5.35c	5.39c	5.82c	3.56c	4.61c
Dividend Proposed or Paid Per $ of Paid Up Share Capital (excl. of any Premium on Issue)	7.31c	7.00c	5.65c	3.50c	2.88c	2.37c	2.14c	2.10c	2.30c	1.56c	1.80c
Statement of Financial Position	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**	**(000)**
Total Assets	89,617	77,894	73,588	62,946	61,543	44,904	43,727	43,878	44,645	44,664	40,828
Shareholders Funds	67,481	60,704	59,615	49,810	49,305	35,823	35,475	35,177	35,516	35,124	31,526
Share Capital Paid Up (excluding of any Premium on Issue)	9,195	9,195	9,195	9,195	9,195	9,195	9,195	9,195	9,195	9,195	9,195
Net Asset Backing Per Share	$7.34	$6.60	$6.48	$5.42	$5.36	$3.90	$3.86	$3.83	$3.86	$3.82	$3.43
Return On Shareholder Funds (excluding Deferred Tax Adjustments)	2.54%	2.65%	2.18%	1.62%	1.34%	1.52%	1.39%	1.41%	1.51%	0.93%	1.34%

** Revaluation Gain on Investment Properties have been removed for comparabililty purposes.*

INDEPENDENT AUDITOR'S REPORT

To the readers of Palmerston North Airport Limited's financial statements and performance information

For The Year Ended 30 June 2019

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

Opinion

We have audited:

- the financial statements of the Company on pages 24 to 42, that comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Revenue and Expense, the Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the Notes to the Financial Statements that include accounting policies and other explanatory information; and
- the performance information of the Company on page 13.

In our opinion:

- the Financial Statements of the Company on pages 24 to 42:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with reduced disclosure requirements; and
- the performance information of the Company on page 13 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives, for the year ended 30 June 2019.

Our audit was completed on 21 August 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 12 and 43, but does not include the financial statements and performance information, and our auditor's report thereon.

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

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

Independence

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

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

Chris Webby
Audit New Zealand

On behalf of the Auditor-General
Palmerston North, New Zealand

COMPANY DIRECTORY

Palmerston North Airport Limited

Directors

As at June 2019

Murray Georgel	Chairman
Jon Nichols	Chairman of Audit & Risk Committee
Josie Adlam	
Gerard Gillespie	
Christopher Cardwell	

Management

As at June 2019

David Lanham	Chief Executive
George Clark	Commercial Manager
David Yorke	Infrastructure Manager
Vernon van Gysen	Finance Manager
Brent Lawry	Terminal Manager
Angela Scott	Visitor Development Manager
Terry Cooney	Safety and Security Manager
Darren Humphreys	Manager Valet and Agency Services
Johan van Vuuren	Infrastructure Development Engineer

Registered Office

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LEGAL ADVISORS

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AUDITOR

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

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