



PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT

TO 31 DECEMBER 2017

COMPANY DIRECTORY**PALMERSTON NORTH AIRPORT LIMITED****DIRECTORS:**

M A Georgel – Chairman
G F Gillespie
J E Nichols
J M K B Adlam
C G Cardwell

MANAGEMENT:

D J Lanham	Chief Executive
D J Yorke	Infrastructure Manager
G E Clark	Commercial Manager
S J Wood	Financial Accountant
A C Scott	Visitor Development Manager
B D Lawry	Terminal Manager
T B Cooney	Safety and Security Manager
D J Humphreys	Manager Valet and Agency Services

REGISTERED OFFICE:

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TRADING BANKERS:

Bank of New Zealand

LEGAL ADVISORS:

Cooper Rapley Lawyers

AUDITORS:

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

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JOINT REPORT OF CHAIRMAN & CHIEF EXECUTIVE OFFICER FOR THE SIX MONTHS ENDING 31 DECEMBER 2017

The first six months of the 2017/18 financial year has been dominated by the delivery of additional carpark and associated facilities, and the commencement of construction of the \$5 million aviation training facility for the Massey School of Aviation.

The Board and Management of Palmerston North Airport Limited (PNAL) continue to implement the Company's strategy. We strive to be the leading regional airport in New Zealand. The vision reflects the importance that Palmerston North Airport places on proudly portraying our regional identity and to the range of airport facilities and services offered to regional residents and visitors alike.

The vision also reflects our desire to work closely with a wide range of stakeholders both from a business and visitor perspective, and our regional communities and iwi.

In the twelve months to December 2017, Palmerston North Airport accommodated 635,896 travellers, an increase of 7.5% on the prior twelve month calendar year. Recently completed airport infrastructure projects together with facility enhancements have enabled the airport to keep ahead of passenger growth and continue to offer a spacious and customer friendly regional airport experience.

Achievements within the six-month period include the opening of the Long Stay Car Park, offering the lowest airport car parking prices available at any airport within the lower North Island. Online car park booking was also launched during the period and has proven extremely popular. The airport's Valet car park was also opened during the period. Offering a concierge service, and undercover pick up and drop off with direct internal access to the terminal, the car park appeals to travellers seeking a quick and efficient car parking experience. Planning continues for the upgrade of the General Car Park including improvements to the terminal – car park interface.

Commercialisation of Ruapehu Business Park commenced during the period. A development masterplan has been completed and will inform investment decisions within the 20-hectare business park located on Airport Drive. Construction of the \$5 million Massey Aviation training facility commenced during the period, with Stage 1 due for completion by June 2018.

Pavement upgrades and planning have continued throughout the period, while planning has been completed for a new Rescue Fire Facility, with construction to commence in March 2018.

December witnessed the official opening and blessing by Rangitāne of the Airport's portrayal of the Legend of Haunui. The legend which holds special significance to regional iwi, has been adopted by the Airport as a means of portraying our sense of place within the wider region. The contemporary display including wall art and carvings created by four artists of Rangitāne descent now proudly greets arriving and departing travellers.

Management resource was boosted during the period with the recruitment of specialist civil engineering and health and safety expertise. This has enabled dedicated attention to be placed on airside infrastructure maintenance and upgrades, passenger facilities, and safety and security.

A renewed focus on energy efficiencies and waste minimisation also commenced during the period. The installation of LED terminal lighting, and a replacement Building Management System have contributed to a reduction in energy consumption. The construction of a waste storage facility will enable additional on-site waste sorting and a reduction in waste to landfill.

Revenue of \$4.262 million was within 1% of budget and 16% ahead of last year. The delayed opening of the Valet Car Park contributed to the revenue shortfall. Management continues to focus on cost reductions, with total operating costs of \$2.216 million representing a 3% saving versus budget.

EBITDA of \$2.046 million was 1% ahead of budget, and 12% ahead of last year.

Net surplus after taxation of \$0.846 million was 34% above budget, and 17% above last year, with the timing of capital works a contributor to this improvement over budget.

An on-budget EBITDA and Net Profit after tax result is forecast by financial year-end.

All statutory requirements relating to the Airport have been met, including successful completion of independent audits by the Civil Aviation Authority, during the first six months of the year. These were also supported by continuing monthly internal audits and quality control checks undertaken by an independent body.

A handwritten signature in black ink, appearing to read 'M. Georgel', with a large, stylized loop at the bottom.

Murray Georgel
Chairman

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

David Lanham
Chief Executive

STATEMENT OF FINANCIAL PERFORMANCE
For the Six Months Ended 31 December 2017

	Note	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
REVENUE	4	4,261,757	3,687,557	8,688,176	7,313,379
OPERATING EXPENSES					
Airfield Services		354,212	263,374	708,432	623,360
Other Operating Expenses	5	815,668	625,431	1,684,957	1,267,719
TOTAL OPERATIONS AND MAINTENANCE		1,169,880	888,805	2,393,389	1,891,079
Administration:					
Audit Fees		16,393	13,300	26,500	29,115
Bad Debts Written Off				5,000	
Changes in doubtful debt provision				10,000	
Directors' Fees		45,000	45,000	94,500	90,625
Employee Expenses	6	456,207	378,775	951,740	755,120
Administration	7	426,801	442,671	934,415	838,616
Market Development		101,180	94,184	175,000	174,321
TOTAL ADMINISTRATION:		1,045,581	973,930	2,197,155	1,887,797
TOTAL OPERATING EXPENSES		2,215,461	1,862,735	4,590,544	3,778,876
Operating Surplus before interest, depreciation & taxation (EBITDA)		2,046,296	1,824,822	4,097,633	3,534,503
Finance Costs & Depreciation:					
Finance costs	8	132,401	141,956	486,475	269,622
Depreciation	15	741,244	608,348	1,685,551	1,217,466
Loss on Sale of Assets			67,402	77,000	198,454
TOTAL FINANCE COSTS & DEPRECIATION:		873,645	817,706	2,249,026	1,685,542
Operating Surplus before taxation		1,172,651	1,007,116	1,848,607	1,848,961
Taxation Expense on operating surplus	9	326,706	281,993	517,610	549,839
NET SURPLUS AFTER TAXATION		845,945	725,123	1,330,997	1,299,122

For and on behalf of the Board



Murray Georgel - Chairman
Date :



Jon Nicholls - Director
Date :

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

These financial statements are unaudited.

STATEMENT OF SERVICE PERFORMANCE

The Company's current Statement of Intent is dated June 2017.

The Company is trading as Palmerston North Airport Limited.

Palmerston North Airport Limited 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.

Performance Measures:

	Dec 2017 6 Months	Dec 2016 6 Months	SOI Target 6 Months
1. Ratio of Net Surplus before interest and tax to Total Assets:	1.7%	1.8%	1.5%
2. Ratio of Net Surplus after interest and tax to consolidated Shareholders funds:	1.4%	1.4%	1.1%
3. Interest cover ratio of Net Surplus before interest tax and depreciation to interest, at or above 2.5 times:	15.5	12.9	9.3
4. Maintain a tangible net worth (of or above) \$35m	59.9	50.2	62.7
5. Total Passenger Throughput	327,000	319,700	322,000
6. Maintain a high level of customer satisfaction	Achieved	Achieved	Achieve
7. CAA Part 139 Certification	Achieved	Achieved	Achieve

STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 31 December 2017

<i>Note</i>	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
NET SURPLUS AFTER TAXATION	845,945	725,123	1,330,997	1,299,122
Gains on revaluation of land and buildings	-	-	-	10,974,180
Movement in deferred tax	-	-	-	(2,145,902)
Reversal of valuation surplus on disposal				
Comprehensive income attributed to the shareholder	845,945	725,123	1,330,997	10,127,400

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 31 December 2017

<i>Note</i>	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR	59,614,743	49,809,520	62,608,320	46,956,032
Total Comprehensive (loss) income	845,945	725,123	1,330,997	1,299,122
Movement in Asset Revaluation Reserve		(4,000)		11,681,762
Distribution to shareholders during the year	(519,653)	(322,173)	(577,281)	(322,173)
EQUITY AT THE END OF THE YEAR	59,941,035	50,208,470	63,362,036	59,614,743

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

These financial statements are unaudited.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31-Dec-17 Unaudited	31-Dec-16 Unaudited	30-Jun-18 SOI	30-Jun-17 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	10	188,570	226,836	175,260	288,028
Trade accounts receivable	11	509,519	720,604	599,621	548,511
Sundry receivables and prepayments		93,776	71,912	5,595	143,023
TOTAL CURRENT ASSETS		791,865	1,019,352	780,476	979,562
Less: CURRENT LIABILITIES					
Income in advance		97,203	107,121	90,000	44,356
Trade accounts payable	12	822,877	146,825	120,000	354,396
Other creditors		121,204	446,883	90,000	292,020
Employee benefit liabilities	13	88,651	83,364	120,000	72,748
Tax payable		48,965	65,865	64,686	284,418
TOTAL CURRENT LIABILITIES		1,178,900	850,058	484,686	1,047,938
WORKING CAPITAL		(387,035)	169,294	295,790	(68,376)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment	15	73,228,798	61,667,761	79,399,831	72,033,845
Investment Property		575,000			575,000
TOTAL NON CURRENT ASSETS		73,803,798	61,667,761	79,399,831	72,608,845
Less: NON CURRENT LIABILITIES					
Deferred tax liability	16	8,075,726	6,128,585	6,128,585	8,075,726
Borrowings	14	5,400,000	5,500,000	10,205,000	4,850,000
TOTAL NON CURRENT LIABILITIES		13,475,726	11,628,585	16,333,585	12,925,726
NET ASSETS		59,941,037	50,208,470	63,362,036	59,614,743
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		18,625,479	17,725,192	19,197,000	18,299,187
Asset revaluation reserve		31,935,156	23,102,878	34,784,636	31,935,156
TOTAL SHAREHOLDERS' EQUITY		59,941,035	50,208,470	63,362,036	59,614,743

For and on behalf of the Board



Murray Georgel - *Chairman*
Date :



Jon Nicholls - *Director*
Date :

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

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CASH FLOW STATEMENT
For the Six months Ended 31 December 2017

	Note	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		4,352,745	3,544,393	8,567,980	7,282,826
Refund of Income tax					104,417
Interest Received		2,095	1,549	3,213	5,926
		<u>4,354,840</u>	<u>3,545,942</u>	<u>8,571,193</u>	<u>7,393,169</u>
Cash was disbursed to:					
Payment to Suppliers and employees		1,849,870	2,097,423	4,659,773	4,032,986
Payment of Income Tax		562,152	296,367	550,000	616,640
Interest Payments		132,401	141,955	486,475	269,622
		<u>2,544,423</u>	<u>2,535,745</u>	<u>5,696,248</u>	<u>4,919,248</u>
Net cash flow from operating activities	17	<u>1,810,417</u>	<u>1,010,197</u>	<u>2,874,945</u>	<u>2,473,921</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets			635,000	3,130,000	652,391
			<u>635,000</u>	<u>3,130,000</u>	<u>652,391</u>
Cash was applied to:					
Purchase of Fixed Assets		1,940,234	734,595	10,125,915	1,504,510
		<u>1,940,234</u>	<u>734,595</u>	<u>10,125,915</u>	<u>1,504,510</u>
Net cash flow from investing activities		<u>(1,940,234)</u>	<u>(99,595)</u>	<u>(6,995,915)</u>	<u>(852,119)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Cash was provided from:					
Borrowing		1,400,000	400,000	5,835,000	1,000,000
		<u>1,400,000</u>	<u>400,000</u>	<u>5,835,000</u>	<u>1,000,000</u>
Cash was applied to:					
Repayment of borrowings		850,000	1,050,000	1,100,000	2,300,000
Payment of Dividends		519,649	322,173	577,281	322,173
		<u>1,369,649</u>	<u>1,372,173</u>	<u>1,677,281</u>	<u>2,622,173</u>
Net cash flow from financing activities		<u>30,351</u>	<u>(972,173)</u>	<u>4,157,719</u>	<u>(1,622,173)</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts					
		(99,466)	(61,571)	36,749	(371)
Cash, cash equivalents and bank overdrafts at the beginning of the year					
		288,036	288,407	138,511	288,399
Cash, cash equivalents and bank overdrafts at the end of the year	10	<u>188,570</u>	<u>226,836</u>	<u>175,260</u>	<u>288,028</u>
Made up of:					
Cash and Bank Balance		188,570	226,836	175,260	288,028
Deposits					
CLOSING CASH BALANCE		<u>188,570</u>	<u>226,836</u>	<u>175,260</u>	<u>288,028</u>

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These financial statements are unaudited.

Statement of Commitments**For the Six Months Ended 31 December 2017****Non-cancellable Commitments - Operating Lessee**

Not more than one year	79,122
One to two years	54,565
Two to five years	64,699
Over five years	
Total	\$ 198,386

Non-cancellable Commitments - Operating Lessor

Not more than one year	1,023,372
One to two years	743,452
Two to five years	1,166,913
Over five years	477,074
Total	\$ 3,410,811

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 31 December 2017
1. REPORTING ENTITY

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

2. BASIS OF PREPARATION
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. The financial statements have been prepared in accordance with NZ GAAP. They have been prepared in accordance with Tier 2 PBE reporting standards.

The entity is eligible and has elected to report with Tier 2 PBE accounting standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and ≤ \$30m.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand Dollars.

3. ACCOUNTING POLICIES
Changes in accounting policies

There were no changes to accounting policies during the period being reported.

Specific accounting policies

The accounting policies as published in the Annual Report to 30 June 2017 have been applied consistently to all periods presented in these financial statements.

	<u>31-Dec-17</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-16</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-18</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-17</u> <u>12 Months</u> <u>Audited</u>
4. ANALYSIS OF OPERATING REVENUE:				
Landing, departure & facility fees	2,568,789	2,192,837	5,050,000	4,291,429
Car park, rent and advertising	1,537,702	1,331,639	3,061,699	2,710,798
Other	155,245	162,908	573,251	308,301
Interest	21	173	3,226	2,851
	4,261,757	3,687,557	8,688,176	7,313,379

5. OTHER OPERATING EXPENSES

Rates	177,566	169,736	360,180	350,460
Power and Insurance	152,767	149,149	335,169	303,890
Repairs and maintenance	485,335	306,546	989,607	613,369
	815,668	625,431	1,684,957	1,267,719

	<u>31-Dec-17</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-16</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-18</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-17</u> <u>12 Months</u> <u>Audited</u>
6. EMPLOYEE EXPENSES				
Salaries and wages	454,304	360,877	906,259	737,520
Employer Contribution to Kiwi Saver	12,082	8,966	26,984	19,207
Movement in employee entitlements	(10,179)	8,932	18,497	(1,607)
	<u>456,207</u>	<u>378,775</u>	<u>951,740</u>	<u>755,120</u>
7. ADMINISTRATION				
Legal	56,353	143,646	200,000	151,904
Consultancy	94,405	52,307	150,000	213,414
Contactors	104,738	100,449	216,000	184,308
General Administration	171,305	146,269	368,415	288,990
	<u>426,801</u>	<u>442,671</u>	<u>934,415</u>	<u>838,616</u>
8. FINANCE COST				
Interest on term loans	132,401	141,956	486,475	269,622
Interest on overdraft				
	<u>132,401</u>	<u>141,956</u>	<u>486,475</u>	<u>269,622</u>
9. TAXATION:				
Current year tax payable	326,706	281,993	517,610	748,600
Prior year adjustments				
Movement in deferred tax				(198,761)
Total	<u>326,706</u>	<u>281,993</u>	<u>517,610</u>	<u>549,839</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	172,429	46,556	150,000	133,191
Cash on hand	5,301	3,596	3,000	4,011
Short term deposits	10,840	176,684	22,260	150,826
Total	<u>188,570</u>	<u>226,836</u>	<u>175,260</u>	<u>288,028</u>

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value after making provisions for impairment on specific overdue accounts.

	<u>31-Dec-17</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-16</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-18</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-17</u> <u>12 Months</u> <u>Audited</u>
12. TRADE ACCOUNTS PAYABLE				
Trade accounts payable	820,374	143,509	120,000	346,339
Payables to related party	2,503	3,316	0	8,057
Total	<u>822,877</u>	<u>146,825</u>	<u>120,000</u>	<u>354,396</u>
13. EMPLOYEE BENEFIT LIABILITIES				
Accrued Pay	34,287	23,330	20,400	12,714
Annual leave	52,312	58,625	97,200	58,625
Sick leave	2,052	1,409	2,400	1,409
Total	<u>88,651</u>	<u>83,364</u>	<u>120,000</u>	<u>72,748</u>
14. BORROWINGS				
Borrowings	5,400,000	5,500,000	10,205,000	4,850,000
Current portion of borrowings				
Total	<u>5,400,000</u>	<u>5,500,000</u>	<u>10,205,000</u>	<u>4,850,000</u>

The Company has a bank facility of \$8.2 million which is secured by a registered first debenture and mortgage from the Bank of New Zealand over assets and property of the Company.

The Company also has an additional facility of \$5m for the construction of the Massey Aviation Training facility.

The carrying value of borrowings is materially consistent with their fair value.

15. PROPERTY, PLANT AND EQUIPMENT

	30-Jun-17 Carrying Amount	Additions	Disposals	Disposals Accum Dpn	Depreciation	31-Dec-17 Carrying Amount
Land	28,000,000	17,626				28,017,626
Buildings	11,254,697	1,738,645			132,607	12,860,735
Infrastructure	30,779,427	818,008			515,952	31,081,483
Plant & Equipment	824,142	212,552			57,643	979,051
Furniture & Fittings	142,951	64,630			13,849	193,732
Computer Equipment	55,859	38,623			19,026	75,456
Motor Vehicles	955				221	734
Intangibles		21,927			1,946	19,981
	<u>71,058,031</u>	<u>2,912,011</u>			<u>741,244</u>	<u>73,228,798</u>

It is Management's opinion that there is no reason that any of the assets of the Company should be impaired, as at 31 December 2017.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2017	8,097,349	(20,859)	(765)	8,075,726
Change to profit and loss				
Balance at 31 December 2017	<u>8,097,349</u>	<u>(20,859)</u>	<u>(765)</u>	<u>8,075,726</u>

17. CASH FLOW RECONCILIATION

Reconciliation of surplus after taxation with net cash flow from operating activities

	31-Dec-17	31-Dec-16	30-Jun-18	30-Jun-17
	6 Months	6 Months	12 Months	12 Months
	Unaudited	Unaudited	SOI	Audited
Net surplus after tax	845,945	725,124	1,330,997	1,299,122
Add Depreciation	741,244	608,347	1,685,551	1,217,466
Add loss of sale of assets				
Net movement in deferred tax				
Net movement in working capital	<u>223,228</u>	<u>(323,274)</u>	<u>(141,603)</u>	<u>42,667</u>
Net cash flow from operating activity	<u>1,810,417</u>	<u>1,010,197</u>	<u>2,874,945</u>	<u>2,473,921</u>