



PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT

TO 31 DECEMBER 2019

FINAL

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

M A Georgel – Chairman
J E Nichols – Chair Audit & Risk Committee
G F Gillespie
S Vining
C G Cardwell

MANAGEMENT:

D J Lanham	Chief Executive
D J Yorke	Infrastructure Manager
G E Clark	Commercial Manager
V van Gysen	Finance Manager
A C Scott	Visitor Development Manager
D Balmer	Marketing & Communications Manager
B D Lawry	Terminal Manager
T B Cooney	Safety and Security Manager
D J Humphreys	Manager Valet and Agency Services
J M van Vuuren	Infrastructure Development Engineer

REGISTERED OFFICE:

Palmerston North Airport
Terminal Building
Airport Drive
PALMERSTON NORTH 4442

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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 2019

In the twelve months to December 2019, Palmerston North Airport accommodated 681,171 passengers, in line with the prior twelve-month period. The result included the impact of Jetstar's withdrawal from the Auckland – Palmerston North route at the end November, offset by modest passenger growth across Wellington, Christchurch and Hamilton routes.

With the \$5.3 million Massey School of Aviation facility completed, Management's attention has turned to other commercialization opportunities within Ruapehu Business Park. With consent received for the Wairaka Place development, adjacent to the terminal entrance road, interest has proven strong with a number of leases and conditional sales in place. Construction is expected to commence in April.

Infrastructure planning continued during the period with a focus on the proposed \$15 million terminal redevelopment designed to ensure that Palmerston North Airport is able to accommodate the projected growth in passenger numbers associated with the regional infrastructure spend of \$4 billion plus over the coming decade. PNAL continues to work closely with Air New Zealand on the plan with the prospect of the re-entry of jet operations on the Auckland – Palmerston North being evaluated from mid-2022.

Community engagement activities continued during the period with ongoing sponsorship including Fly Palmy Arena, Central Pulse, Wildbase Hospital and the completion PNAL-funded undercover barbecue facility at Rangitāne's Te Rangimarie Marae.

PNAL completed Stage 1 of the Airports Council International Airport Carbon Accreditation programme and commenced Stage 2 of the four stage programme as we strive for carbon neutrality. A range of initiatives are in place focused on energy consumption, water and waste reduction.

PNAL maintained CAA Part 139 compliance during the period, with the five yearly audit conducted by the Civil Aviation Authority in September. Implementation of PNAL's Safety Management System continued, with the CAA audit scheduled for June.

An organisational purpose statement has been developed – "Launching our region into a promising future". The purpose statement reflects PNAL's role in facilitating regional economic, social and environmental development.

Revenue of \$5.68 million was within 1.7% of budget, but 9.2% ahead of last year. Operating expenditure of \$2.57 million was 9% below budget.

EBITDAE (excludes PFOS related expenditure) of \$3.11 million was 5.3% ahead of budget, and 11% ahead of last year.

Net surplus after taxation of \$1.33 million was 16.7% ahead of budget, and 26.3% above last year.

Revenue is projected to fall behind budget in the second half of the financial year as the loss of aeronautical revenue associated with Jetstar's withdrawal and associated impact on car park income take hold. Forecasted cost savings will partially offset the revenue shortfall. Further a reduced capital spend has resulted in lower depreciation and finance charges. A year end Net Profit after Tax result of \$2.2 million (including land sales) is forecasted, 17% ahead of budget.

Murray Georgel
Chairman

David Lanham
Chief Executive

STATEMENT OF SERVICE PERFORMANCE

The Company's current Statement of Intent is dated June 2019.

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 2019 6 Months	Dec 2018 6 Months	SOI Target 6 Months
1. Ratio of Net Surplus before interest and tax to Total Assets:	2.4%	2.1%	2.2%
2. Ratio of Net Surplus after interest and tax to consolidated Shareholders funds:	2.0%	1.7%	1.7%
3. Ratio of shareholder funds to total assets (of or above) 40%	76.4%	75.3%	68.6%
4. Interest cover ratio of Net Surplus before interest tax and depreciation to interest, at or above 2.5 times:	11.0	10.5	8.9
5. Maintain a tangible net worth (of or above) \$50m	\$68.1M	\$61.1M	\$62.7M
6. Total Passenger Throughput	348,659	352,000	350,735
7. To achieve zero lost time due to injuries of those who work with airport community	Zero	Zero	Zero
8. CAA Part 139 certification	Achieved	Achieved	Achieve

STATEMENT OF FINANCIAL PERFORMANCE
For the Six Months Ended 31 December 2019

	Note	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
REVENUE	4	5,683,486	5,205,868	11,221,428	10,202,063
OPERATING EXPENSES					
Airfield Services		369,615	354,212	743,847	708,910
Other Operating Expenses	5	813,720	768,571	1,794,468	1,571,135
TOTAL OPERATIONS AND MAINTENANCE		1,183,335	1,122,783	2,538,315	2,280,045
Administration:					
Audit Fees		14,808	15,787	31,703	31,452
Bad Debts Written Off		-	-	3,498	143
Changes in doubtful debt provision		-	11	7,005	2,174
Directors' Fees		54,000	50,350	123,996	104,350
Employee Expenses	6	759,141	615,628	1,599,504	1,264,902
Administration	7	429,461	489,130	1,052,223	985,551
Market Development		130,442	110,913	215,250	248,950
TOTAL ADMINISTRATION:		1,387,852	1,281,819	3,033,177	2,637,522
TOTAL OPERATING EXPENSES		2,571,187	2,404,602	5,571,492	4,917,567
Extraordinary Items	19	21,774	147,077	100,000	259,067
Operating Surplus before interest, depreciation & taxation (EBITDA)		3,090,525	2,654,189	5,549,935	5,025,429
Finance Costs & Depreciation:					
Finance costs	8	280,406	253,656	669,130	522,347
Depreciation	15	957,258	938,764	2,141,657	1,821,379
Loss on Sale of Assets					88,776
TOTAL FINANCE COSTS & DEPRECIATION:		1,237,664	1,192,420	2,810,787	2,432,502
Revaluation Gon - Investment Properties					1,051,349
Operating Surplus before taxation		1,852,861	1,461,769	2,739,148	3,644,276
Taxation Expense on operating surplus	9	520,202	406,384	766,962	879,745
NET SURPLUS AFTER TAXATION		1,332,659	1,055,385	1,972,187	2,764,531

For and on behalf of the Board

Murray Georgel - *Chairman*

Date :

Jon Nichols - *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 COMPREHENSIVE INCOME
For the Six Months Ended 31 December 2019

<i>Note</i>	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
NET SURPLUS AFTER TAXATION	1,332,659	1,055,385	1,972,187	2,764,531
Gains on revaluation of land and buildings	-	-	-	4,910,659
Movement in deferred tax	-	-	-	(254,985)
Reversal of valuation surplus on disposal				0
Comprehensive income attributed to the shareholder	1,332,659	845,945	1,972,187	7,420,205

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 31 December 2019

<i>Note</i>	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR	67,480,662	60,704,107	61,967,667	60,704,107
Total Comprehensive (loss) income	1,332,658	1,055,384	1,972,187	7,420,205
Movement in Asset Revaluation Reserve	-	-	-	-
Distribution to shareholders during the year	(685,238)	(643,650)	(762,884)	(643,650)
EQUITY AT THE END OF THE YEAR	68,128,082	61,115,841	63,176,970	67,480,662

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31-Dec-19 Unaudited	31-Dec-18 Unaudited	30-Jun-20 SOI	30-Jun-19 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	10	169,051	325,025	38,406	126,924
Trade accounts receivable	11	858,248	727,131	749,498	825,070
Sundry receivables and prepayments		140,976	120,098	3,082	213,709
Assets intended for sale		-	-	-	-
TOTAL CURRENT ASSETS		1,168,275	1,172,254	790,986	1,165,703
Less: CURRENT LIABILITIES					
Income in advance		151,150	124,815	850,000	149,316
Trade accounts payable	12	376,406	556,909	100,000	1,246,301
Other creditors		139,412	92,829	400,000	534,898
Employee benefit liabilities	13	347,925	319,604	135,000	135,377
Short Term Borrowings		4,999,998	-	-	3,964,374
Tax payable		246,430	67,960	131,717	-
TOTAL CURRENT LIABILITIES		6,261,321	1,162,117	1,616,717	6,030,266
WORKING CAPITAL		(5,093,046)	10,137	(825,731)	(4,864,563)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment		87,432,160	79,375,226	90,701,305	81,637,902
Investment Property	15	575,000	575,000	575,000	6,813,357
TOTAL NON CURRENT ASSETS		88,007,160	79,950,226	91,276,305	88,451,259
Less: NON CURRENT LIABILITIES					
Deferred tax liability	16	8,056,032	7,844,320	7,844,320	8,056,033
Borrowings	14	6,730,000	11,000,202	19,466,063	8,050,000
TOTAL NON CURRENT LIABILITIES		14,786,032	18,844,522	27,310,383	16,106,033
NET ASSETS		68,128,082	61,115,841	63,140,191	67,480,663
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		22,156,849	19,800,285	21,824,635	21,509,430
Asset revaluation reserve		36,590,833	31,935,156	31,935,156	36,590,833
TOTAL SHAREHOLDERS' EQUITY		68,128,082	61,115,841	63,140,191	67,480,663

For and on behalf of the Board

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Murray Georgel - *Chairman*
Date :

Jon Nichols - *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.

CASH FLOW STATEMENT
For the Six months Ended 31 December 2019

	Note	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		5,700,177	5,088,120	11,146,560	9,932,679
Refund of Income tax					
Interest Received		59	1,267	26	13,365
		<u>5,700,236</u>	<u>5,089,387</u>	<u>11,146,586</u>	<u>9,946,044</u>
Cash was disbursed to:					
Payment to Suppliers and employees		4,298,004	3,321,915	5,662,868	5,267,415
Payment of Income Tax		640,430	583,782	770,000	853,192
Interest Payments		280,405	253,662	669,130	522,347
		<u>5,218,839</u>	<u>4,159,359</u>	<u>7,101,998</u>	<u>6,642,953</u>
Net cash flow from operating activities	17	<u>481,397</u>	<u>930,028</u>	<u>4,044,588</u>	<u>3,303,091</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets		34,950	-	1,559,672	-
		<u>34,950</u>	<u>-</u>	<u>1,559,672</u>	<u>-</u>
Cash was applied to:					
Purchase of Fixed Assets		505,280	3,898,906	11,645,000	7,484,248
		<u>505,280</u>	<u>3,898,906</u>	<u>11,645,000</u>	<u>7,484,248</u>
Net cash flow from investing activities		<u>(470,330)</u>	<u>(3,898,906)</u>	<u>(10,085,328)</u>	<u>(7,484,248)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Cash was provided from:					
Borrowing		4,555,627	5,649,807	7,200,000	21,517,443
		<u>4,555,627</u>	<u>5,649,807</u>	<u>7,200,000</u>	<u>21,517,443</u>
Cash was applied to:					
Repayment of borrowings		3,285,003	1,908,488	420,000	19,567,442
Payment of Dividends		685,238	643,650	762,884	643,650
		<u>3,970,241</u>	<u>2,552,138</u>	<u>1,182,884</u>	<u>20,211,092</u>
Net cash flow from financing activities		<u>585,386</u>	<u>3,097,669</u>	<u>6,017,116</u>	<u>1,306,350</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts					
		596,453	128,791	(23,624)	(2,874,807)
Cash, cash equivalents and bank overdrafts at the beginning of the year					
		(3,837,450)	196,233	62,030	(962,643)
Cash, cash equivalents and bank overdrafts at the end of the year	10	<u>(3,240,997)</u>	<u>325,024</u>	<u>38,406</u>	<u>(3,837,450)</u>
Made up of:					
Cash and Bank Balance		169,051	325,024	38,406	126,924
Current portion of short term loan		(4,999,998)	-	-	(3,964,374)
CLOSING CASH BALANCE		<u>(4,830,947)</u>	<u>325,024</u>	<u>38,406</u>	<u>(3,837,450)</u>

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 Commitments
For the Six Months Ended 31 December 2019

Non-cancellable Commitments - Operating Lessee

Not more than one year	76,251
One to two years	67,029
Two to five years	61,620
Over five years	0
Total	\$ 204,900

7 Commitments, incl Operating Leases,
 Maintenance Contracts, and Vehicle
 Leases

Non-cancellable Commitments - Operating Lessor

Not more than one year	1,263,793
One to two years	1,031,962
Two to five years	2,682,573
Over five years	5,992,073
Total	\$ 10,970,401

44 Property and Car Park Leases
 With PNAL as the Lessor

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 31 December 2019
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 2019 have been applied consistently to all periods presented in these financial statements.

	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
4. ANALYSIS OF OPERATING REVENUE:				
Landing, departure & facility fees	3,486,526	3,208,749	6,765,341	6,193,332
Car park, rent and advertising	2,145,229	1,840,946	4,361,087	3,795,528
Other	50,796	149,613	85,000	199,837
Interest	935	6,560	10,000	13,365
	<u>5,683,486</u>	<u>5,205,868</u>	<u>11,221,428</u>	<u>10,202,062</u>
5. OTHER OPERATING EXPENSES				
Rates	195,273	186,991	393,943	373,963
Power and Insurance	194,724	174,648	342,424	346,788
Repairs and maintenance	423,723	406,932	1,058,100	850,386
	<u>813,720</u>	<u>768,571</u>	<u>1,794,467</u>	<u>1,571,137</u>

	<u>31-Dec-19</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-18</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-20</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-19</u> <u>12 Months</u> <u>Audited</u>
6. EMPLOYEE EXPENSES				
Salaries and wages	718,910	581,164	1,494,082	1,208,593
Employer Contribution to Kiwi Saver	21,704	17,474	45,422	35,674
Movement in employee entitlements	18,528	16,990	20,000	20,635
	<u>759,142</u>	<u>615,628</u>	<u>1,559,504</u>	<u>1,264,902</u>
7. ADMINISTRATION				
Legal	48,015	29,981	88,130	75,161
Consultancy	116,444	68,643	374,896	178,268
Contactors	18,144	143,638	10,000	257,599
General Administration	246,858	246,868	579,197	474,523
	<u>429,461</u>	<u>489,130</u>	<u>1,052,223</u>	<u>985,551</u>
8. FINANCE COST				
Interest on term loans	280,406	253,656	669,130	522,347
Interest on overdraft				
	<u>280,406</u>	<u>253,656</u>	<u>669,130</u>	<u>522,347</u>
9. TAXATION:				
Current year tax payable	520,202	406,384	766,962	919,138
Prior year adjustments	-	-	-	-
Movement in deferred tax	-	-	-	(39,393)
Total	<u>520,202</u>	<u>406,384</u>	<u>766,962</u>	<u>879,745</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	131,386	290,281	38,406	88,689
Cash on hand	37,665	23,896	0	32,384
Short term deposits	0	10,848	0	5,851
Total	<u>169,050</u>	<u>325,025</u>	<u>38,406</u>	<u>126,924</u>
11. TRADE ACCOUNTS AND OTHER RECEIVABLES				
Debtors and other receivables	870,671	847,229	764,325	842,060
Receivables from related party	0	0	0	0
Provision for impairment	(12,423)	0	(14,827)	(16,990)
Total	<u>858,248</u>	<u>847,229</u>	<u>749,498</u>	<u>825,070</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-19</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-18</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-20</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-19</u> <u>12 Months</u> <u>Audited</u>
12. TRADE ACCOUNTS PAYABLE				
Trade accounts payable	666,968	774,328	1,350,000	1,924,469
Payables to related party	0	0	0	6,046
Total	666,968	774,328	1,350,000	1,930,515
13. EMPLOYEE BENEFIT LIABILITIES				
Accrued Pay	347,925	319,604	135,000	48,159
Annual leave				84,428
Sick leave				2,789
Total	347,925	319,604	135,000	135,377
14. BORROWINGS				
Borrowings	6,730,000	11,000,202	19,466,063	8,050,000
Current portion of borrowings	4,999,998		-	3,964,374
Total	11,729,998	11,000,202	19,466,063	12,014,374

The Company has a bank facility of \$11.1 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 used in full 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-19		Disposals			31-Dec-19
	Carrying Amount	Additions	Disposals	Accum Dpn	Depreciation	Carrying Amount
Land	32,004,350					32,004,350
Buildings	20,354,307	158,091			132,511	20,379,887
Infrastructure - Land	7,579,018	154,931			122,409	7,611,540
Infrastructure - Air	26,962,647	8,146			473,381	26,497,412
Plant & Equipment	1,360,516	87,196			120,284	1,327,428
Furniture & Fittings	103,773	9,704			12,549	100,928
Computer Equipment	73,671	14,679			13,974	74,376
Motor Vehicles	0					0
Intangibles	12,978				1,739	11,239
	88,451,260	432,747	0	0	876,846	88,007,160

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 2019.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2019	8,098,952	(37,905)	(5,015)	8,056,033
Change to profit and loss				
Balance at 31 December 2019	<u>8,098,952</u>	<u>(37,905)</u>	<u>(5,015)</u>	<u>8,056,033</u>

17. CASH FLOW RECONCILIATION

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

	31-Dec-19	31-Dec-18	30-Jun-20	30-Jun-19
	6 Months	6 Months	12 Months	12 Months
	Unaudited	Unaudited	SOI	Audited
Net surplus after tax	1,332,659	1,055,385	1,972,187	2,764,531
Add Depreciation	957,258	938,764	2,141,657	1,821,379
Add loss of sale of assets	0	0	0	88,776
Net movement in deferred tax	1	0	0	(43,275)
Net movement in working capital	<u>(1,808,521)</u>	<u>(1,064,121)</u>	<u>(69,256)</u>	<u>(1,328,321)</u>
Net cash flow from operating activity	<u>481,397</u>	<u>930,028</u>	<u>4,044,588</u>	<u>3,303,090</u>

18. CONTINGENCIES

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

19. EXTRAORDINARY ITEMS

The Extraordinary Items are soil, sediment, surface and ground water sampling for PFAS at Palmerston North Airport and adjacent sites including the Mangaone Stream.