



PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT

TO 31 DECEMBER 2020

FINAL

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

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

MANAGEMENT:

D J Lanham	Chief Executive
G E Clark	Commercial Manager
J A Baker	Finance Manager
D J Yorke	Infrastructure Manager
D Balmer	Marketing & Communications Manager
B D Lawry	Terminal Manager
T B Cooney	Safety and Security Manager
B Parkinson	Airfield Operations Manager

REGISTERED OFFICE:

Palmerston North Airport
Terminal Building
Airport Drive
PALMERSTON NORTH 4442

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TRADING BANKERS:

Bank of New Zealand

LEGAL ADVISORS:

CR Law

AUDITORS:

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

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JOINT REPORT OF THE CHAIR & CHIEF EXECUTIVE FOR THE SIX MONTHS ENDING 31 DECEMBER 2020

With a backdrop of the impact of the COVID-19 pandemic on financial performance, the company remained focused on the safety and wellbeing of its people, customers and tenants during the six months to December 2020.

Highlights include zero lost time injuries, the ongoing development of the Company's *OneTeam* Wellness programme, CAA certification of the Company's Safety Management System (SMS), continued compliance with CAA Rule Part 139, and the ability to provide ongoing support to community groups including sponsorships and support of charities albeit on a smaller scale.

Passenger volumes fell by 49.5% versus the same six-month period in 2019, with the impacts of COVID-19 on Air NZ services including the suspension of Hamilton and Wellington services, reductions in Auckland and Christchurch services, and the loss of Jetstar combining. The Originair launch of direct Hamilton – Palmerston North services in October was a highlight of an otherwise bleak period in air service development. Airfreight services continued to operate at planned levels.

The loss in air services resulted in an aeronautical revenue decline to \$2.15 million, 38% below last year, although 45% ahead of the Statement of Intent target (SOI) finalised in May 2020.

A cost review and capex deferral programme completed in June 2020 assisted the Company to preserve vital cash reserves.

Essential capital work programmes to the value of \$4.7 million continued, including planning for a partial runway overlay, completion of a terminal building air-conditioning upgrade, planning for seismic strengthening, and the acquisition of replacement airport rescue fire appliances.

However, in total \$8.7 million of capital works were deferred from the F21 year. This includes the first phases of the \$16 million terminal redevelopment programme. This deferral in particular has had a flow on impact on the customer experience both within the terminal and the terminal – car park interface.

Revenue of \$3.76 million was 34% below last year, but 26% ahead of the Statement of Intent (SOI) finalised in May 2020, with the recovery in air services in line with a July reforecast. Total expenditure of \$2.2 million was 13% below last year, and 3% favourable to the SOI, the result of ongoing cost reduction measures undertaken during the period.

EBITDAE of \$1.52 million was 122% ahead of SOI, but 51% below last year.

The Net Surplus after Taxation achieved of \$0.25 million was \$1.08m below last year, but favourable compared with the SOI loss of \$0.35 million.

PNAL's Pandemic Response Plan, refined during the COVID-19 lockdown, proved successful and will stand PNAL in good stead should future lockdowns be required due to community transmission.

With the improving financial performance and confidence in our response capability, conditional approval was received from the Board in October to re-start the deferred construction of the Wairaka Place subdivision in Ruapehu Business Park, and the reconstruction of an adjacent section of Airport Drive. The Company has now reached agreement with PNCC on the engineering specifications for Airport Drive. Construction of the subdivision will commence in mid-February.

The July forecast for the full year of 395,000 passengers has been reforecast at 406,000 (subject to no further impacts on recovering air services). This is 53% ahead of the SOI, but still 18% below the 498,000-passenger volume achieved last year, and 41% below the record levels achieved in the prior year.

Revenue of \$8.38 million is forecast for the full year, 34% ahead of SOI, and 8% below the prior year. Total year-end expenditure is forecast to decline to \$4.49 million, being 3% favourable to the SOI, and 11% favourable to the prior year.

A full year capex spend of \$7.6 million is now projected, including the construction of the Wairaka Place subdivision and the associated reconstruction of Airport Drive.

A full year forecast for net surplus after taxation of \$1.32 million is 227% favourable against the full year SOI loss of \$0.58 million. This excludes the financial impact of accounting for the vesting to Palmerston North City Council of both the Wairaka Place subdivision in Ruapehu Business Park, and the reconstructed adjacent section of Airport Drive.

Notwithstanding the improving short-term conditions, in order to preserve capital for the infrastructure projects highlighted above, and in line with the SOI, the Company reconfirms the suspension of a dividend payment for the 2020/21 financial year.

Murray Georgel
Chair

David Lanham
Chief Executive

STATEMENT OF SERVICE PERFORMANCE

The Company's Statement of Intent is dated 17 June 2020.

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 METRIC	Dec 2020 6 Months	Dec 2019 6 Months	SOI Target 6 Months
I	A ratio of surplus before interest/tax/depreciation to total assets	1.8%	3.5%	0.7%
II	A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	0.4%	2.0%	-0.5%
III	To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	78.2%	76.4%	75.9%
IV	To maintain an interest coverage ratio of EBITDA to interest of at least 2.5	6.2	11.0	4.8
V	To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above	\$67.4M	\$68.1M	\$68.1M
VI	Maintain a Net Promoter score of 55 or above	24	30	50
VII	Total passenger movements	176,592	348,659	110,940
VIII	Zero lost time injuries	Zero	Zero	Zero
IX	Maintain CAA Part 139 certification	Maintain	Maintain	Maintain
X	Roadmap to sustainability (carbon neutrality)*	Ongoing	Develop	Ongoing
XI	Safety Management System audited and certified	Certified	Develop	Certify

**Scope of activity extended to include water and waste. Target completion of sustainability roadmap is 30 June 2021.*

STATEMENT OF FINANCIAL PERFORMANCE
For the Six Months Ended 31 December 2020

	Note	31-Dec-20 6 Months Unaudited	31-Dec-19 6 Months Unaudited	30-Jun-21 12 Months SOI	30-Jun-20 12 Months Audited
REVENUE	4	3,760,625	5,683,486	6,253,088	9,137,276
OPERATING EXPENSES					
Airfield Services		364,482	369,615	835,693	734,097
Other Operating Expenses	5	740,685	813,720	1,644,851	1,596,200
TOTAL OPERATIONS AND MAINTENANCE		1,105,167	1,183,335	2,480,544	2,330,297
Administration:					
Audit Fees		24,978	14,808	39,600	44,166
Bad Debts Written Off		33	-	2,411	12,844
Changes in doubtful debt provision		-	-	4,827	-
Directors' Fees		54,000	54,000	123,498	97,253
Employee Expenses	6	684,806	759,141	1,453,000	1,617,093
Administration	7	355,600	429,461	435,831	708,954
Market Development		12,425	130,442	83,082	247,382
TOTAL ADMINISTRATION:		1,131,842	1,387,852	2,142,250	2,727,692
TOTAL OPERATING EXPENSES		2,237,009	2,571,187	4,622,794	5,057,989
Extraordinary Items	18	-	21,774	50,000	-
Operating Surplus before interest, depreciation & taxation (EBITDA)		1,523,616	3,090,525	1,580,295	4,079,287
Finance Costs & Depreciation:					
Finance costs	8	246,970	280,406	309,235	531,078
Depreciation	15	928,156	957,258	2,075,421	1,854,304
Loss on Sale of Assets		(1,054)	-	-	(993)
TOTAL FINANCE COSTS & DEPRECIATION:		1,174,072	1,237,664	2,384,656	2,384,388
Revaluation Gain - Investment Properties		-	-	-	(397,523)
Operating Surplus before taxation		349,544	1,852,861	(804,361)	1,297,376
Taxation Expense on operating surplus	9	97,874	520,202	-	(329,232)
NET SURPLUS AFTER TAXATION		251,670	1,332,659	(804,361)	1,626,608

For and on behalf of the Board

Murray Georgel - *Chair*

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 2020

<i>Note</i>	31-Dec-20 6 Months Unaudited	31-Dec-19 6 Months Unaudited	30-Jun-21 12 Months SOI	30-Jun-20 12 Months Audited
NET SURPLUS AFTER TAXATION	251,670	1,332,659	(804,361)	1,626,608
Gains on revaluation of land and buildings	-	-	-	(1,808,995)
Movement in deferred tax	-	-	-	506,518
Reversal of valuation surplus on disposal	-	-	-	-
Comprehensive income attributed to the shareholder	<u>251,670</u>	<u>1,332,659</u>	<u>(804,361)</u>	<u>324,131</u>

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 31 December 2020

<i>Note</i>	31-Dec-20 6 Months Unaudited	31-Dec-19 6 Months Unaudited	30-Jun-21 12 Months SOI	30-Jun-20 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR	<u>67,119,563</u>	<u>67,480,662</u>	<u>68,471,421</u>	<u>67,480,663</u>
Total Comprehensive (loss) income	251,670	1,332,658	(804,361)	324,131
Movement in Asset Revaluation Reserve				
Distribution to shareholders during the year	-	(685,238)	-	(685,231)
EQUITY AT THE END OF THE YEAR	<u>67,371,233</u>	<u>68,128,082</u>	<u>67,667,060</u>	<u>67,119,563</u>

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

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STATEMENT OF FINANCIAL POSITION
For the Six Months Ended 31 December 2020

	Note	31-Dec-20 Unaudited	31-Dec-19 Unaudited	30-Jun-21 SOI	30-Jun-20 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	10	69,572	169,051	50,000	273,080
Trade accounts receivable	11	757,738	858,248	507,362	507,961
Sundry receivables and prepayments		243,225	140,976	1,173	113,370
Assets intended for sale		175,863	-	-	175,863
TOTAL CURRENT ASSETS		1,246,398	1,168,275	558,536	1,070,274
Less: CURRENT LIABILITIES					
Income in advance		185,514	151,150	85,414	162,440
Trade accounts payable	12	352,186	376,406	418,335	575,349
Other creditors		116,071	139,412	239,980	76,203
Employee benefit liabilities	13	177,203	347,925	175,000	183,667
Short Term Borrowings		4,500,000	4,999,998	-	3,700,000
Tax payable		(84,108)	246,430	(541,654)	108,015
TOTAL CURRENT LIABILITIES		5,246,866	6,261,321	377,076	4,805,674
WORKING CAPITAL		(4,000,468)	(5,093,046)	181,460	(3,735,400)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment	15	78,389,370	87,432,160	83,579,608	78,872,632
Investment Property		6,525,000	575,000	6,813,354	6,525,000
TOTAL NON CURRENT ASSETS		84,914,370	88,007,160	90,392,962	85,397,632
Less: NON CURRENT LIABILITIES					
Deferred tax liability	16	6,542,669	8,056,032	8,056,032	6,542,669
Borrowings	14	7,000,000	6,730,000	14,851,329	8,000,000
TOTAL NON CURRENT LIABILITIES		13,542,669	14,786,032	22,907,361	14,542,669
NET ASSETS		67,371,233	68,128,082	67,667,060	67,119,563
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		22,702,476	22,156,849	21,695,827	22,450,806
Asset revaluation reserve		35,288,357	36,590,833	36,590,833	35,288,357
TOTAL SHAREHOLDERS' EQUITY		67,371,233	68,128,082	67,667,060	67,119,563

For and on behalf of the Board

Murray Georgel - *Chair*
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 2020

<i>Note</i>	31-Dec-20 6 Months Unaudited	31-Dec-19 6 Months Unaudited	30-Jun-21 12 Months SOI	30-Jun-20 12 Months Audited
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers	3,383,948	5,700,177	6,182,794	9,529,173
Refund of Income tax				
Interest Received	-	59	-	-
	<u>3,383,948</u>	<u>5,700,236</u>	<u>6,182,794</u>	<u>9,529,173</u>
Cash was disbursed to:				
Payment to Suppliers and employees	2,372,697	4,298,004	4,461,420	5,698,517
Payment of Income Tax	289,997	640,430	346,424	970,755
Interest Payments	246,970	280,405	309,235	531,078
	<u>2,909,664</u>	<u>5,218,839</u>	<u>5,117,078</u>	<u>7,200,349</u>
Net cash flow from operating activities	<u>474,284</u>	<u>481,397</u>	<u>1,065,716</u>	<u>2,328,824</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets	1,054	34,950	-	-
	<u>1,054</u>	<u>34,950</u>		
Cash was applied to:				
Purchase of Fixed Assets	446,383	505,280	4,715,000	1,183,057
	<u>446,383</u>	<u>505,280</u>	<u>4,715,000</u>	<u>1,183,057</u>
Net cash flow from investing activities	<u>(445,329)</u>	<u>(470,330)</u>	<u>(4,715,000)</u>	<u>(1,183,057)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Borrowing	232,858	4,555,627	3,659,584	5,000,000
	<u>232,858</u>	<u>4,555,627</u>	<u>3,659,584</u>	<u>5,000,000</u>
Cash was applied to:				
Repayment of borrowings	465,321	3,285,003	10,299	1,350,000
Payment of Dividends	-	685,238	-	685,238
	<u>465,321</u>	<u>3,970,241</u>	<u>10,299</u>	<u>2,035,238</u>
Net cash flow from financing activities	<u>(232,463)</u>	<u>585,386</u>	<u>3,649,285</u>	<u>2,964,763</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	<u>(203,508)</u>	<u>596,453</u>	<u>1</u>	<u>4,110,530</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year	<u>273,080</u>	<u>(3,837,450)</u>	<u>49,999</u>	<u>(3,837,450)</u>
Cash, cash equivalents and bank overdrafts at the end of the year	<u>69,572</u>	<u>(3,240,997)</u>	<u>50,000</u>	<u>273,080</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 2020**

Non-cancellable Commitments - Operating Lessee

Not more than one year	117,821	} 10 Commitments, incl Operating Leases, Maintenance Contracts, and Vehicle Leases
One to two years	62,091	
Two to five years	53,594	
Over five years	-	
Total	\$ 233,506	

Non-cancellable Commitments - Operating Lessor

Not more than one year	1,403,974	} 64 Property and Car Park Leases With PNAL as the Lessor
One to two years	1,126,452	
Two to five years	1,927,275	
Over five years	4,664,998	
Total	\$ 9,122,699	

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 31 December 2020
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 2020 have been applied consistently to all periods presented in these financial statements.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>	<u>30-Jun-21</u>	<u>30-Jun-20</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:				
Aeronautical revenue	2,154,965	3,486,526	3,207,518	5,174,663
Car park, rent and advertising	1,488,370	2,145,229	2,841,583	3,621,321
Other	117,290	50,796	203,988	341,289
Interest	-	935	-	3
	3,760,625	5,683,486	6,253,088	9,137,276

5. OTHER OPERATING EXPENSES

Rates	206,361	195,273	412,173	391,851
Power and Insurance	174,636	194,724	401,838	375,855
Repairs and maintenance	359,688	423,723	830,840	828,494
	740,685	813,720	1,644,851	1,596,200

	<u>31-Dec-20</u>	<u>31-Dec-19</u>	<u>30-Jun-21</u>	<u>30-Jun-20</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>
6. EMPLOYEE EXPENSES				
Salaries and wages	671,309	718,910	1,390,010	1,524,817
Employer Contribution to Kiwi Saver	19,961	21,704	42,990	43,986
Movement in employee entitlements	(6,464)	18,528	20,000	48,290
	<u>684,806</u>	<u>759,142</u>	<u>1,453,000</u>	<u>1,617,093</u>
7. ADMINISTRATION				
Legal	17,507	48,015	50,000	118,181
Consultancy	68,253	116,444	78,635	184,530
Contractors	54,000	18,144	-	18,144
General Administration	215,840	246,858	307,197	388,099
	<u>355,600</u>	<u>429,461</u>	<u>435,831</u>	<u>708,954</u>
8. FINANCE COST				
Interest on term loans	246,970	280,406	309,235	531,078
	<u>246,970</u>	<u>280,406</u>	<u>309,235</u>	<u>531,078</u>
9. TAXATION:				
Current year tax payable	97,874	520,202	-	684,601
Prior year adjustments	-	-	-	-
Movement in deferred tax	-	-	-	(1,013,832)
Total	<u>97,874</u>	<u>520,202</u>	<u>-</u>	<u>(329,232)</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	63,424	131,386	50,000	231,273
Cash on hand	6,148	37,665	-	41,807
Short term deposits	-	-	-	-
Total	<u>69,572</u>	<u>169,050</u>	<u>50,000</u>	<u>273,080</u>
11. TRADE ACCOUNTS AND OTHER RECEIVABLES				
Debtors and other receivables	757,738	870,671	512,487	506,257
Receivables from related party	-	-	-	1,704
Provision for impairment	-	(12,423)	(5,125)	-
Total	<u>757,738</u>	<u>858,248</u>	<u>507,362</u>	<u>507,961</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-20</u>	<u>31-Dec-19</u>	<u>30-Jun-21</u>	<u>30-Jun-20</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>
12. TRADE ACCOUNTS PAYABLE				
Trade accounts payable	352,186	666,968	418,335	565,868
Payables to related party	-	-	-	9,481
Total	352,186	666,968	418,335	575,349
13. EMPLOYEE BENEFIT LIABILITIES				
Accrued Pay	72,818	347,925	175,000	76,951
Annual leave	104,385	-	-	103,287
Sick leave	-	-	-	3,429
Total	177,203	347,925	175,000	183,667
14. BORROWINGS				
Borrowings	7,000,000	6,730,000	14,851,329	8,000,000
Current portion of borrowings	4,500,000	4,999,998	-	3,700,000
Total	11,500,000	11,729,998	14,851,329	11,700,000

The Company has a bank facility of \$16.1 million which is secured by a registered first debenture and mortgage from the Bank of New Zealand over assets and property of the Company. This includes a 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-20					31-Dec-20
	Carrying Amount	Additions	Disposals	Disposals Accum Dpn	Depreciation	Carrying Amount
Land	31,828,487	-	-	-	-	31,828,487
Buildings	13,689,908	102,149	-	-	177,052	13,615,006
Infrastructure - Land	7,670,315	91,434	-	-	146,542	7,615,206
Infrastructure - Air	24,205,251	1,035	-	-	459,271	23,747,015
Plant & Equipment	1,273,833	19,101	1,119	1,119	116,381	1,176,554
Furniture & Fittings	132,636	-	-	-	12,858	119,778
Computer Equipment	48,584	-	-	-	14,747	33,837
Motor Vehicles	13,884	231,175	-	-	-	245,059
Intangibles	9,733	-	-	-	1,305	8,428
	78,872,632	444,894	1,119	1,119	928,156	78,389,370

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 2020.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2020	6,584,730	(41,547)	(515)	6,542,669
Change to profit and loss	-	-	-	-
Balance at 31 December 2020	6,584,730	(41,547)	(515)	6,542,669

17. CONTINGENCIES

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

18. 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.