



**PALMERSTON NORTH
AIRPORT LIMITED**

PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT TO 31 DECEMBER 2021

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

M Georgel – Chair
S Laurence
G Gillespie
S Vining
C Cardwell

MANAGEMENT:

D Lanham	Chief Executive
O Pierre	Commercial & Customer Manager
J Baker	Finance Manager
M Dahlan	Capital Projects & Asset Manager
D Balmer	Marketing & Communications Manager
B Lawry	Terminal Manager
T Cooney	Safety & Security Manager
B Parkinson	Airfield Operations Manager

REGISTERED OFFICE:

Palmerston North Airport
Terminal Building
Airport Drive
PALMERSTON NORTH 4442

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e-mail: info@pnairport.co.nz
Web: www.pnairport.co.nz

TRADING BANKERS:

Bank of New Zealand

LEGAL ADVISORS:

CR Law

AUDITORS:

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

JOINT REPORT OF THE CHAIR & CHIEF EXECUTIVE FOR THE SIX MONTHS ENDING 31 DECEMBER 2021

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JOINT REPORT OF THE CHAIR & CHIEF EXECUTIVE FOR THE SIX MONTHS ENDING 31 DECEMBER 2021

After the strong bounce back in passenger volumes experienced during the first half of the 2021 calendar year, the period July to December 2021 was adversely impacted by Auckland lockdowns and the associated loss of Auckland – Palmerston North services. Total passenger movements of 141,356 were 39.4% behind the Statement of Intent (SOI), with the loss of Auckland – Palmerston North services the primary driver of the negative variance. It was encouraging that Christchurch-Palmerston North passenger volumes exceeded budget during this period as travelers responded to the additional capacity introduced on the route by Air New Zealand.

During the period, we maintained Rule Part 139 compliance, and continued our record of zero lost time injuries. The first independent audit of PNAL's one-year old Safety Management System was conducted. The audit highlighted the strong safety culture that PNAL has developed across the aerodrome with all operators. The second PNAL team engagement survey was also undertaken which highlighted very strong engagement, a pleasing result which benefitted from the investment in our OneTeam wellness program over the period. The Rescue Fire and Security teams were successfully insourced with the nine personnel now being employed directly by PNAL. PNAL's two refurbished Rosenbauer Panther rescue fire vehicles were also delivered from Brisbane during the period.

The Terminal Development Project gathered pace with the selection of Wellington-based Studio Pacific as lead architects. Commercialisation opportunities were progressed within Ruapehu Business Park with a number of leads crystallizing into sales and leases. Construction of Stage 1 of Wairaka Place was all but completed during the period also. PNAL achieved Level 2 of the Airport Council International Airport Carbon Accreditation Program and continued to progress a number of sustainability initiatives including the ongoing replacement of the legacy HVAC system.

Three runway projects were also tendered during the period, including runway end overlays and a runway recoating. Two of these projects are scheduled to occur during the second half of the financial year with the third deferred until FY23.

Income generated during the half year of \$3.85 million was 22% or \$1.06 million behind the SOI, with close to 90% of the shortfall associated with the aeronautical income impacts.

Total expenditure of \$2.56 million was 25% or \$0.830 million below the SOI. Savings were achieved across multiple cost lines however the short-term deferral of the runway rejuvenation project was the primary contributor to savings.

EBITDAE of \$1.31 million although below the SOI of \$1.54 million was nevertheless pleasing given the significant adverse income variance.

The Net Surplus After Taxation result of \$0.08 million was impacted adversely versus SOI by the delay in settlement of two sales within Wairaka Place and the associated gain on sale that would have been recognised. This gain will now be recognised in the second half of the year.

The uncertainties associated with Covid-19 and Omicron make full year forecasting difficult. Based on the latest information we are predicting a 35% variance to the SOI in passenger volumes.

Income of \$7.79 million is forecast for the full year, 22% below the SOI, and 6% below the prior year. This has been significantly impacted by the August 2021 outbreak of Delta and the January 2022 outbreak of Omicron.


Total year-end expenditure is forecasted at \$5.3 million, 13% below the SOI, and 10% above the prior year.

A full year capex spend of \$5.1 million is projected, including the completion of Wairaka Place Stage 1, runway end overlay works, HVAC upgrade and Terminal Development Project fees. The planned runway rejuvenation program has been deferred to December 2022 given the uncertainty and desire to preserve cash. This compares with the SOI capex budget of \$10.5 million with major variances including the deferral of Stage 2 of Wairaka Place and associated progress on design build projects, the delayed

commencement of the Terminal Development Project, and the deferral of carpark infrastructure upgrades.

Notwithstanding the negative impacts on income, there remains a positive full year forecast for Net Surplus after Taxation of \$0.58 million, 69% below the SOI of \$1.88 million.

In lieu of a dividend, and in line with the SOI and ongoing uncertainty, the Company reconfirms its intention to add value to the shareholder and community through the delivery of customer facing improvements, more diversified revenue streams and an increase in shareholder wealth (total equity).



Murray Georgel
Chair



David Lanham
Chief Executive

STATEMENT OF SERVICE PERFORMANCE

The Company's Statement of Intent is dated 27 May 2021.

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 2021 6 Months	Dec 2020 6 Months	SOI Target 6 Months
I	A ratio of surplus before interest/tax/depreciation to total assets	1.4%	1.8%	1.7%
II	A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	0.1%	0.4%	1.5%
III	To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	75.6%	78.2%	76.8%
IV	To maintain an interest coverage ratio of EBITDA to interest of at least 2.5	5.0	6.2	5.2
V	To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50m	\$68.3M	\$67.4M	\$70.5M
VI	Maintain a Net Promoter score of 30* or above	27	24	30
VII	Total passenger movements	141,350	176,592	233,290
VIII	Zero lost time injuries	Zero	Zero	Zero
IX	Maintain CAA Part 139 certification	Maintain	Maintain	Maintain


*Metric was 55 or above for Dec 2020

STATEMENT OF FINANCIAL PERFORMANCE
For the Six Months Ended 31 December 2021

	Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
REVENUE	4	3,864,169	3,760,625	10,035,463	8,345,705
OPERATING EXPENSES					
Airfield Services		321,937	364,482	627,641	728,961
Other Operating Expenses	5	913,695	740,685	2,758,868	1,603,660
TOTAL OPERATIONS AND MAINTENANCE		1,235,632	1,105,167	3,386,509	2,332,622
Administration:					
Audit Fees		27,028	24,978	52,659	48,143
Bad Debts Written Off		-	33	2,506	-
Changes in doubtful debt provision		(7,635)	-	5,000	7,635
Directors' Fees		55,500	54,000	108,000	108,000
Employee Expenses	6	761,497	684,806	1,541,487	1,373,297
Administration	7	400,950	355,600	789,845	798,989
Marketing		83,009	12,425	180,000	72,291
TOTAL ADMINISTRATION:		1,320,349	1,131,842	2,679,497	2,408,355
TOTAL OPERATING EXPENSES		2,555,981	2,237,009	6,066,006	4,740,977
Extraordinary Items	18	41,336	-	20,000	6,313
Operating Surplus before interest, depreciation & taxation (EBITDA)		1,266,852	1,523,616	3,949,457	3,598,416
Finance Costs & Depreciation:					
Finance costs	8	253,625	246,970	610,895	477,679
Depreciation	15	896,969	928,156	1,789,607	1,862,757
(Gain) / Loss on Sale of Assets		4,545	(1,054)	(1,064,435)	1,393
TOTAL FINANCE COSTS & DEPRECIATION:		1,155,139	1,174,072	1,336,067	2,341,829
Revaluation Gain - Investment Properties		-	-	-	(846,114)
Operating Surplus before taxation		111,713	349,544	2,613,390	410,472
Taxation Expense on operating surplus	9	31,282	97,874	732,029	437,875
NET SURPLUS AFTER TAXATION		80,430	251,670	1,881,361	-27,403

For and on behalf of the Board


Murray Georgel - Chair
Date : 24/02/2022


Sarah Vining - Director
Date : 24/02/2022

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 2021

Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
NET SURPLUS AFTER TAXATION	80,430	251,670	1,881,361	(27,403)
Gains on revaluation of land and buildings	-	-	-	1,173,241
Movement in deferred tax	-	-	-	-
Reversal of valuation surplus on disposal	-	-	-	-
Comprehensive income attributed to the shareholder	80,430	251,670	1,881,361	1,145,838

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 31 December 2021

Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR	68,265,401	67,119,563	69,460,571	67,119,563
Total Comprehensive (loss) income	80,430	251,670	1,881,361	1,145,838
Movement in Asset Revaluation Reserve	0	-	-	-
Distribution to shareholders during the year	-	-	-	-
EQUITY AT THE END OF THE YEAR	68,345,832	67,371,233	71,341,932	68,265,401


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STATEMENT OF FINANCIAL POSITION
For the Six Months Ended 31 December 2021

	Note	31-Dec-21 Unaudited	31-Dec-20 Unaudited	30-Jun-22 SOI	30-Jun-21 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	10	136,565	69,572	47,487	362,458
Trade accounts receivable	11	644,822	757,738	866,357	585,098
Sundry receivables and prepayments		285,254	243,225	3,886	123,802
Assets intended for sale		-	-	-	-
TOTAL CURRENT ASSETS		1,066,641	1,246,398	917,730	1,071,358
Less: CURRENT LIABILITIES					
Income in advance		351,947	185,514	145,851	45,494
Trade accounts payable	12	260,102	352,186	894,217	366,964
Other creditors		245,000	116,071	256,975	1,138,490
Employee benefit liabilities	13	145,429	177,203	175,000	183,360
Short Term Borrowings		6,960,073	4,500,000	-	4,999,999
Tax payable		(130,719)	(84,108)	93,879	199,351
TOTAL CURRENT LIABILITIES		7,831,832	5,246,866	1,565,921	6,933,658
WORKING CAPITAL		(6,765,192)	(4,000,468)	(648,191)	(5,862,299)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment	15	75,541,657	78,389,370	91,479,190	74,558,334
Investment Property		13,786,000	6,525,000	6,813,357	13,786,000
TOTAL NON CURRENT ASSETS		89,327,657	84,914,370	98,292,547	88,344,334
Less: NON CURRENT LIABILITIES					
Deferred tax liability	16	6,516,634	6,542,669	6,542,668	6,516,634
Borrowings	14	7,700,000	7,000,000	19,759,756	7,700,000
TOTAL NON CURRENT LIABILITIES		14,216,634	13,542,669	26,302,424	14,216,634
NET ASSETS		68,345,832	67,371,233	71,341,932	68,265,401
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		22,503,834	22,702,476	25,904,760	22,423,403
Asset revaluation reserve		36,461,598	35,288,357	36,056,772	36,461,598
TOTAL SHAREHOLDERS' EQUITY		68,345,832	67,371,233	71,341,932	68,265,401

For and on behalf of the Board


Murray Georgel - Chair
Date: 24/02/2022


Sarah Vining - Director
Date: 24/02/2022

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CASH FLOW STATEMENT
For the Six Months Ended 31 December 2021

Note	31-Dec-21 6 Months Unaudited	31-Dec-20 6 Months Unaudited	30-Jun-22 12 Months SOI	30-Jun-21 12 Months Audited
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers	3,642,993	3,383,948	9,910,277	8,134,400
Refund of Income tax	-	-	-	16,819
Interest Received	-	-	-	-
	<u>3,642,993</u>	<u>3,383,948</u>	<u>9,910,277</u>	<u>8,151,219</u>
Cash was disbursed to:				
Payment to Suppliers and employees	3,329,148	2,372,697	6,920,598	4,771,871
Payment of Income Tax	361,352	289,997	457,695	372,573
Interest Payments	253,625	246,970	610,895	477,679
	<u>3,944,125</u>	<u>2,909,664</u>	<u>7,989,188</u>	<u>5,622,124</u>
Net cash flow from operating activities	<u>(301,132)</u>	<u>474,284</u>	<u>1,921,089</u>	<u>2,529,095</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets	-	1,054	2,123,834	-
	<u>-</u>	<u>1,054</u>	<u>2,123,834</u>	<u>-</u>
Cash was applied to:				
Purchase of Fixed Assets and Investment Property	1,884,309	446,383	10,537,000	3,439,716
	<u>1,884,309</u>	<u>446,383</u>	<u>10,537,000</u>	<u>3,439,716</u>
Net cash flow from investing activities	<u>(1,884,309)</u>	<u>(445,329)</u>	<u>(8,413,166)</u>	<u>(3,439,716)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Borrowing	2,281,681	232,858	8,661,796	2,700,000
	<u>2,281,681</u>	<u>232,858</u>	<u>8,661,796</u>	<u>2,700,000</u>
Cash was applied to:				
Repayment of borrowings	322,132	465,321	2,168,484	1,700,001
Payment of Dividends	-	-	-	-
	<u>322,132</u>	<u>465,321</u>	<u>2,168,484</u>	<u>1,700,001</u>
Net cash flow from financing activities	<u>1,959,549</u>	<u>(232,463)</u>	<u>6,493,311</u>	<u>999,999</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(225,893)	(203,508)	1,234	89,378
Cash, cash equivalents and bank overdrafts at the beginning of the year	362,458	273,080	46,253	273,080
Cash, cash equivalents and bank overdrafts at the end of the year	<u>136,565</u>	<u>69,572</u>	<u>47,487</u>	<u>362,458</u>

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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 Commitments

For the Six Months Ended 31 December 2021

Non-cancellable Commitments - Operating Lessee

Not more than one year	81,351
One to two years	44,168
Two to five years	26,862
Over five years	-
Total	\$ 152,381

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

Non-cancellable Commitments - Operating Lessor

Not more than one year	1,596,414
One to two years	1,356,866
Two to five years	2,562,659
Over five years	5,125,832
Total	\$ 10,641,771

55 Property and Car Park Leases
With PNAL as the Lessor

NOTES TO THE FINANCIAL STATEMENTS
For the Six Months Ended 31 December 2021

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 2021 have been applied consistently to all periods presented in these financial statements.

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>30-Jun-22</u>	<u>30-Jun-21</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	2,080,172	2,154,965	6,141,779	4,940,938
Car park, rent and advertising	1,479,553	1,488,370	3,703,122	3,218,567
Other	304,444	117,290	190,562	186,200
Interest	-	-	-	-
	<u>3,864,169</u>	<u>3,760,625</u>	<u>10,035,463</u>	<u>8,345,705</u>
5. OTHER OPERATING EXPENSES				
Rates	215,029	206,361	482,329	409,614
Power and Insurance	219,997	174,636	425,012	356,456
Repairs and maintenance	478,669	359,688	1,851,527	837,590
	<u>913,695</u>	<u>740,685</u>	<u>2,758,868</u>	<u>1,603,660</u>

	<u>31-Dec-21</u>	<u>31-Dec-20</u>	<u>30-Jun-22</u>	<u>30-Jun-21</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*	772,921	671,309	1,466,143	1,334,025
Employer Contribution to Kiwi Saver	26,507	19,961	45,345	39,579
Movement in employee entitlements	(37,931)	(6,464)	30,000	(307)
	<u>761,497</u>	<u>684,806</u>	<u>1,541,487</u>	<u>1,373,297</u>
*Excludes Rescue Fire Service (RFS). Salaries and wages of RFS are included in Airfield Services expenditure.				
7. ADMINISTRATION				
Legal	52,877	17,507	75,000	45,878
Consultancy	162,329	68,253	280,000	249,119
Contractors	-	54,000	20,000	105,242
General Administration	185,744	215,840	414,845	398,750
	<u>400,950</u>	<u>355,600</u>	<u>789,845</u>	<u>798,989</u>
8. FINANCE COST				
Interest on term loans	253,625	246,970	610,895	477,679
	<u>253,625</u>	<u>246,970</u>	<u>610,895</u>	<u>477,679</u>
9. TAXATION				
Current year tax payable	31,282	97,874	732,029	479,596
Prior year adjustments	-	-	-	(14,757)
Movement in deferred tax	-	-	-	(26,964)
Total	<u>31,282</u>	<u>97,874</u>	<u>732,029</u>	<u>437,875</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	131,692	63,424	47,487	357,655
Cash on hand	4,873	6,148	-	4,803
Short term deposits	-	-	-	-
Total	<u>136,565</u>	<u>69,572</u>	<u>47,487</u>	<u>362,458</u>
11. TRADE ACCOUNTS AND OTHER RECEIVABLES				
Debtors and other receivables	644,822	757,738	875,109	592,653
Receivables from related party	-	-	-	80
Provision for impairment	-	-	(8,751)	(7,635)
Total	<u>644,822</u>	<u>757,738</u>	<u>866,357</u>	<u>585,098</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-21</u>	<u>31-Dec-20</u>	<u>30-Jun-22</u>	<u>30-Jun-21</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	260,102	352,186	894,217	359,133
Payables to related party	-	-	-	7,831
Total	260,102	352,186	894,217	366,964
13. EMPLOYEE BENEFIT LIABILITIES				
Accrued Pay	26,580	72,818	175,000	88,099
Annual leave	118,849	-	-	95,261
Sick leave	-	-	-	-
Total	145,429	177,203	175,000	183,360
14. BORROWINGS				
Borrowings	7,700,000	7,000,000	19,759,756	7,700,000
Current portion of borrowings	6,960,073	4,500,000	-	4,999,999
Total	14,660,073	11,500,000	19,759,756	12,699,999

The Company has a bank facility of \$18.1 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 and a further \$2m related to the development of Stage 1 of Zone B of the Ruapehu Business Park.

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

15. PROPERTY, PLANT AND EQUIPMENT

	30-Jun-21			Disposals		31-Dec-21
	Carrying Amount	Additions	Disposals	Accum Dpn	Depreciation	Carrying Amount
Land	29,010,130	-	-	-	-	29,010,130
Buildings	13,355,079	239,880	-	-	181,233	13,413,726
Infrastructure - Land	6,487,730	1,262,979	-	-	134,550	7,616,159
Infrastructure - Air	23,289,831	-	-	-	449,174	22,840,657
Plant & Equipment	1,180,697	103,375	-	-	103,817	1,180,255
Furniture & Fittings	110,748	10,800	-	-	13,232	108,316
Computer Equipment	27,326	13,596	-	-	10,556	30,366
Motor Vehicles	1,068,039	254,209	-	-	529	1,321,719
Intangibles	28,752	-	23,280	18,735	3,878	20,329
	74,558,333	1,884,838	23,280	18,735	896,969	75,541,657

It is Management's opinion that there is no reason that any of the assets should be impaired, as at 31 December 2021.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2021	6,560,010	(40,167)	(3,209)	6,516,634
Change to profit and loss	-	-	-	-
Balance at 31 December 2021	6,560,010	(40,167)	(3,209)	6,516,634

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.