



2023 ANNUAL REPORT



**PALMERSTON NORTH
AIRPORT LIMITED**

2023 ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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Arrivals

Arrivals

JOINT REPORT

The Chair and Chief Executive's Joint Report
For the year ended 30 June 2023

Overview

The Directors and Management team are pleased to present the 2023 Annual Report.

Airport activity rebounded in the year ended 30th June 2023 with 534,651 passengers carried, 16% ahead of the Statement of Intent (SOI). The strong rebound in passenger movements translated into an income result (excluding revaluations) which was 27% ahead of the SOI.

Cost control remained a focus of the team with total operating costs limited to \$6.5 million, 1% below the SOI.

The Airport continued to focus on health & safety and the maintenance of all Civil Aviation Act (CAA) Rule Part 139 requirements during the financial year. The Airport's focus on asset management continued with airside apron and roadway upgrades, and upgrades on Airport Drive taking place.

The Terminal Development Plan moved into detailed design stage after approval was received from the Shareholder to proceed with the planned \$40 million facility.

The EBITDA result of \$6.1 million was 82% ahead of the SOI with the rebound in aeronautical revenue the primary contributor to the strong performance.

Shareholder equity increased to \$84.3 million driven by the net profit after tax of \$2.9 million and net revaluation loss on buildings of \$1.6 million.

Financial

Income (excluding revaluations) of \$12.6 million exceeded the SOI by 27%.

Aeronautical revenue of \$8.2 million for the full year was 34% ahead of the SOI and 78% ahead of the prior year. Passenger volume growth of 65% compared with the prior year, and 16% versus the SOI was the driver of this strong performance.

Income from all other sources of \$4.4 million was 15% above the SOI. The positive variance was primarily due to the rebound in passenger volumes impacting positively on carparking volumes and revenue.

Total operating expenditure of \$6.5 million, represented a positive 1% variance to the SOI. Ongoing poor weather conditions resulted in the involuntary deferral of non-critical runway maintenance and this was a primary driver of the positive variance, along with a reduction in tactical marketing spend.

The revaluation of investment property resulted in an overall fair value gain of \$0.4 million while the revaluation of buildings resulted in a net fair value loss of \$1.6 million. This was largely a result of a write down relating to the terminal redevelopment. We anticipate further costs associated with the write down of the existing terminal in future years.

Net Profit After Taxation of \$2.9 million, was pleasing and driven by the rebound in passenger volumes.

PNAL's balance sheet remains strong with shareholder's equity of \$84.3 million, and debt of \$10.8 million (\$14.7 million last year).

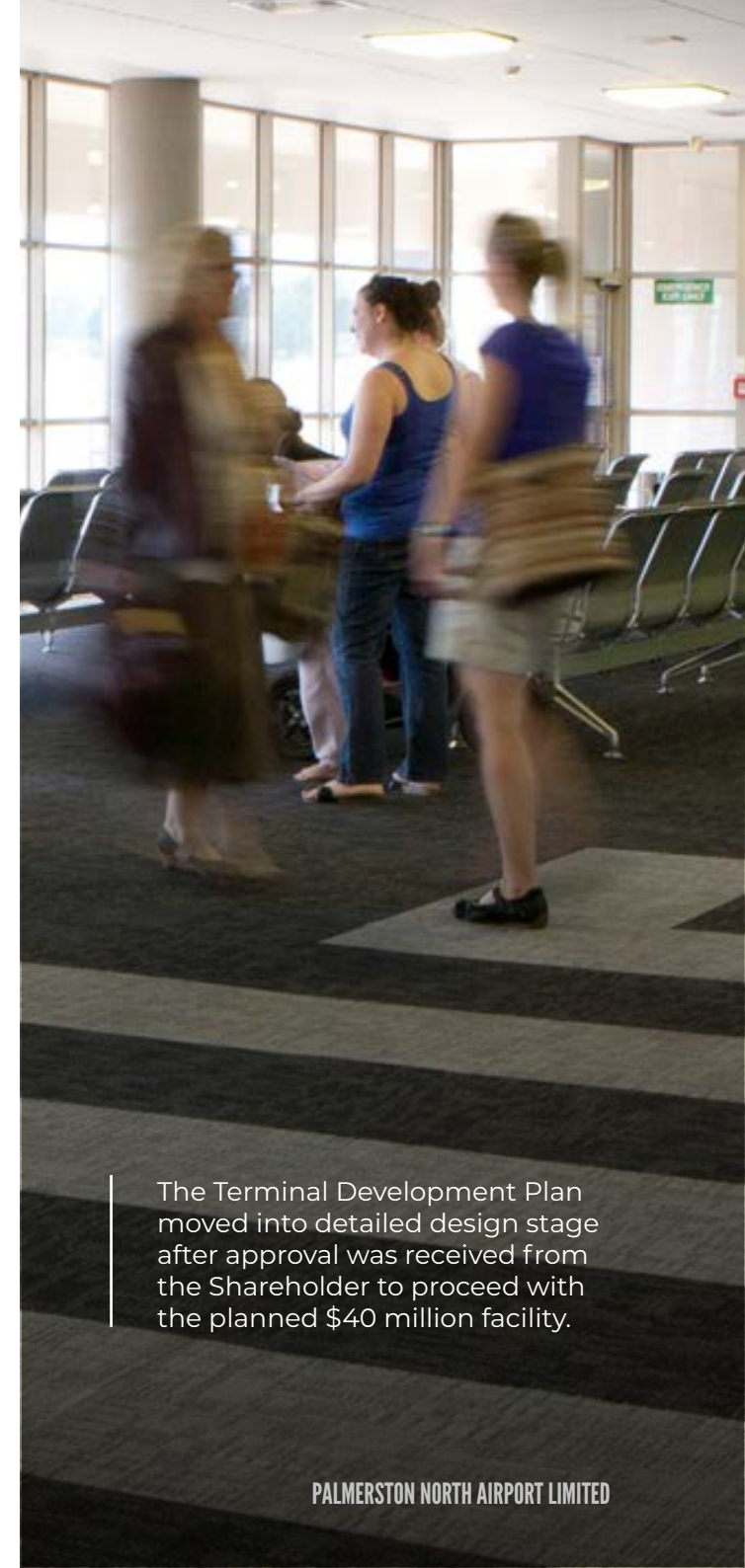
Net cash flow from operating activities was \$5.5 million compared to \$1.9 million last year.

As previously agreed with the Shareholder, a dividend is not planned to be declared for the financial year notwithstanding the positive performance against SOI targets. Retained funds will be reinvested at a time of unprecedented capital spend associated with the Terminal Development Plan.

Compliance

PNAL continued to maintain all Civil Aviation Act (CAA) Rule Part 139 requirements during the financial year.

PNAL continued to execute against its Asset Management Plan. Airside apron and roadway upgrades were completed, with upgrades on Airport Drive also taking place. The re-coating of the runway surface was again deferred due to weather interruptions during the planned resurfacing period, resurfacing is now planned for Q2 for the new financial year with no impact on runway performance anticipated.



The Terminal Development Plan moved into detailed design stage after approval was received from the Shareholder to proceed with the planned \$40 million facility.



A Memorandum of Understanding was also signed with Hiringa who will commence production of green hydrogen onsite at Palmerston North Airport from 2024. Hiringa and the Airport Company will be jointly exploring potential renewable energy initiatives.

By year end a full complement of Rescue Fire Officers had been recruited with plans for integration with the Terminal Security team progressing.

Both refurbished Rosenbauer rescue fire vehicles also entered into service during the financial year after extensive delays associated with part shortages and a lack of qualified Rosenbauer technicians. Notwithstanding this, PNAL managed to maintain continuous 24/7 rescue fire operations throughout FY23.

It was disappointing that one team member sustained a minor workplace injury on the last day of the financial year which resulted in a single lost time injury being recorded for the year.

Culture

The Board and Chief Executive again acknowledge the PNAL team for their ongoing dedication in a year of significant activity associated with the rebound in passenger volumes and airport activity in general.

Team engagement continued to benefit from ongoing investment in the Company's Whanau Kotahi / One Team wellness program. The annual team engagement survey resulted in an increase in engagement score to 81% (up from 71%), a tremendous result and testament to the work undertaken by our wellness champions.

During the year the Company welcomed a new Safety & Operations Manager, Marketing & Business Support Co-ordinator, and Customer Service Executive. In addition, two new Rescue Fire Officers commenced in early July 2023. Corporate team departures included Customer Services Executive and a Rescue Fire Officer.

The Company also farewelled long-serving Board Director Gerard Gillespie, after fifteen years of dedicated service. Gerard will be sorely missed by fellow Directors and Management.

Customer

With the rebound in passenger volumes underway during the year the Company re-commenced a number of customer facing projects which had previously been

deferred due to Covid-19 impacts.

Projects included the commencement of construction of the much-awaited semi-covered pick-up and drop-off area. Wayfinding signage upgrades along Airport Drive and the terminal loop road were also completed.

Terminal development planning also gathered pace with Architects Studio Pacific completing concept design for the 5,200m² new build, with an estimated cost of \$40 million. The new terminal will ensure operational and seismic resilience while also future proofing the terminal to accommodate the projected growth in passenger volumes and to facilitate security screening if required.

The Company also became a member of the hidden disabilities Sunflower Lanyard programme during the year. Participants are able to be identified discreetly by airport team members and enabling the provision of additional assistance if necessary.

A Net Promoter Score of 45 was achieved for the year, which represented a significant increase on the SOI target of 30.

It was also pleasing to be the first airport in New Zealand to be awarded the Qualmark Gold certification, an acknowledgement of the airport teams focus on sustainable business practices and focus on customers and community.

Community

Sustainability initiatives again remained a key focus for the Company. Having achieved Level 2 – Reduction accreditation in the prior year by year-end the Company had lodged an application for certification at Level 4 - Transformation of the Airports Council International Airport Carbon Accreditation (ACA) Program.

The Company has redefined its environmental objectives, transitioning from an initial 2°C target to a more stringent net zero emissions by 2035 commitment. PNAL's net zero commitment represents an ambitious pledge to actively reduce its greenhouse gas emissions to a net level of zero. This strategy

includes adopting energy-efficient technologies and investing in renewable energy sources. In a net-zero scenario, any remaining emissions would need to be offset by an equivalent amount of carbon removal from the atmosphere.

To support this, a range of initiatives continued which are designed to reduce the Company's greenhouse gas emissions, waste to landfill, and water consumption. During the year the terminal heating and cooling system was converted from natural gas to electricity, after Covid related delays had impacted on the project. Alongside other projects, the Company achieved a 37% reduction in Scope 1 (to 72 tonnes of CO₂-e) and a 93% reduction in Scope 2 emissions (to 5 tonnes of CO₂-e) for the FY23 year. This is a tremendous result.

A Memorandum of Understanding was also signed with Hiringa who will commence production of green hydrogen onsite at Palmerston North Airport from 2024. Hiringa and the Airport Company will be jointly exploring potential renewable energy initiatives.

The involvement of Warren Warbrick and Peter Te Rangi of Rangitāne on the Terminal Development Plan has greatly enhanced the concept design and narrative associated with the proposed terminal facility, whilst bringing the relationship between Rangitāne and the Airport closer.

Commercial

Passenger movements rebounded strongly to 534,651, 16% ahead of the SOI and 65% ahead of the prior year. Passenger volume targets were exceeded in all months of the financial year. Scheduled services continued to be operated to Auckland, Christchurch, Hamilton and Nelson.

Overnight dedicated airfreight operations by Freightways Group and New Zealand Post also continued during the financial year.

A name change from Ruapehu Business Park to Ruapehu Aeropark ensured that the Company's business park could be differentiated from activity occurring within the wider Te Utanganui multi-modal freight & logistics hub.

During the year Waitomo Group opened a refuelling facility on Airport land on the corner of Setters Line and Railway Road, while a CleanCo Truck Wash facility also in Setters Line and United Truck Parts within Wairaka Place were also opened.

Work also progressed on the design of a 6,000m² warehouse facility adjacent to the airfreight precinct on the McGregor Street extension.

The Future Outlook

The Terminal Development Plan (TDP) is an intergenerational investment with long-lasting and wide-reaching impacts on the Company, the Shareholder and the wider community and region. With an estimated price tag of \$40 million the TDP will ensure the Company can continue to offer our city and region an appropriate and resilient air gateway and continue to sustainably grow air services as we play our role in facilitating regional economic growth and prosperity.

The TDP is consequently an unavoidable spend that severely constrains the Company's ability to deliver against broader Shareholder financial and capital expectations in the short-medium term. Available debt capacity will be absorbed by the TDP and investment in critical airside infrastructure meaning Company investment in commercial activity within Ruapehu Aeropark, and the ability to contribute positively to the growth of Te Utanganui will be constrained. To alleviate this, the Company will continue to explore opportunities to attract external investment as a means of facilitating these important commercial projects.

Notwithstanding this backdrop of significant capital investment the Company recognises the desire of the Shareholder for dividend payments to be reinstated. As a consequence the Company is planning for dividends to be reinstated from FY24 subject to the Company's financial performance.

Underpinning all activity the Company will maintain its focus on the wellbeing of our highly valued airport team, regulatory compliance and keeping all airport users safe.





CORPORATE REPORT

For the year ended 30 June 2023

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, air freight operators 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 Aeropark 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 18 to 21.

	2023 Actual	2023 SOI	2022 Actual
Performance			
Passengers	534,651	459,000	323,615
Revenue	12,585,130	9,919,610	9,485,265
EBITDA & Valuation of Investment Property	6,102,867	3,347,472	3,057,567
Net Profit After Tax	2,950,421	745,067	1,379,502
Financial Position			
Cash & Cash Equivalents	63,379	56,254	110,229
Current Assets	1,106,713	1,464,301	1,495,191
Property, Plant & Equipment	90,347,374	87,448,364	92,713,643
Shareholder Funds	84,338,404	69,654,975	82,990,345

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 Chair's and Chief Executive's Report and the statutory accounts of the Company published herewith.

Directors

Reappointments

Chris Cardell retired by rotation and was reappointed to the Board by the Shareholder in October 2022.

Appointments

There were no new appointments during the year ended 30 June 2023.

Retirements

Gerard Gillespie retired from the Board, effective June 2023. As at 30 June 2023, a replacement director was yet to be appointed.

Kerri Sterling, a director intern (non-voting), completed her 12 month term in December 2022.

Directors' Remuneration

For the year ended 30 June 2023, the amount of \$135,000 (\$112,088: 2022) for Director Remuneration was paid, or due and payable, to members of the Board as authorised by the shareholder as follows:

	2023 Actual	2022 Actual
Georgel M	41,540	35,420
Mitchell-Jenkins S	25,960	3,630
Cardwell C	25,960	18,310
Gillespie G	20,770	18,310
Laurence S	20,770	15,310
Nichols J	0	5,100
Vining S	0	16,008
	135,000	112,088

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

Directors' Interests

As at 30th June 2023, Directors declared interests in the following entities:

Interest	Nature of Interest	Relationship to PNAL
Mr M Georgel		
Director	The Factory New Zealand Ltd	None
Director	Manawatu Investment Group Ltd	None
Director	MIG Nominee No.1 Ltd	None
Director	MIG GP Ltd	None
Trustee	Sir Patrick Higgins Charitable Trust	None
Trustee	Arohanui Hospice Service Trust	None
Trustee	Arohanui Hospice Foundation	None
Director	Levno Ltd	None
Director	Levno Group Ltd	None
Director	Levno IP Holdings Ltd	None
Director & Shareholder	CH Management Ltd	None
Trustee	PN Theatre Trust (Centre Point Theatre)	Sponsor (\$10k FY23)
Trustee	Central Energy Trust	None
Director	Gary Douglas Engineers Limited	None
Mr C Cardwell		
Director of Facilities	Waitemata District Health Board	None
Director & Shareholder	Australis Property Ltd	None
Director & Shareholder	Laurent Investments Ltd	None
Director	Nga Maunga Whakahii O Kaipara Whenua Hoko Holdings Ltd	None
Director	Te Uru Ltd	None
Director	Nga Maunga Whakahii O Kaipara Commercial Development Ltd	None
Director	Pitoittoi Ltd	None
Director	Nga Maunga Whakahii O Kaipara Ngahere Ltd	None
Wife	Lawyer in Procurement team - BNZ	Bank
Mr G Gillespie		
Shareholder	Re-Leased Software Company Limited	None
Shareholder	Skyline Aviation Limited	Customer

Interest	Nature of Interest	Relationship to PNAL
Ms S Laurence		
Deputy Chair	Swimming Manawatu	None
General Manager	DCPower Ltd	Supplier
Minority Shareholder	Air New Zealand	Customer
Ms S Mitchell-Jenkins		
Director	Electra Ltd	None
Director	Electra Services Ltd	None
Director	Four non-trading subs of Electra	None
Director	Web Genius Central NZ Ltd	None
Director	The Web Genius Limited (non-trading)	None
Director & Shareholder	Colbert Cooper Ltd	None
Director & Shareholder	Colbert Cooper Trustees Ltd	None
Director & Shareholder	Colbert Cooper Trustees (2015) Ltd	None

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

Directors' Indemnity and Insurance

The Company is responsible for the payment of the Directors' indemnity insurance premiums. All Directors are indemnified under the Directors and Officers Liability Insurance Policy.

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.

Schedule of Board Meeting Attendance

Director	Number of meetings held	Number of meetings attended
Georgel M	11	10
Mitchell-Jenkins S	11	11
Cardwell C	11	10
Gillespie G	11	8
Laurence S	11	11

Schedule of Committee Meeting Attendance

Director	Audit & Risk Committee meetings held	Audit & Risk Committee meetings attended	Terminal & Property Development Committee meetings held	Terminal & Property Development Committee meetings attended
Georgel M	3	3	3	3
Mitchell-Jenkins S	3	3	n/a	n/a
Cardwell C	n/a	n/a	3	3
Gillespie G	n/a	n/a	3	2
Laurence S	3	3	n/a	n/a

Remuneration of Employees

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

	2023 Actual	2022 Actual	
\$100,000 - \$110,000	1	0	
\$110,000 - \$120,000	0	1	
\$120,000 - \$130,000	1	0	
\$130,000 - \$140,000	2	0	<i>Variances in the table</i>
\$140,000 - \$150,000	0	2	<i>arise from independent</i>
\$150,000 - \$160,000	1	0	<i>market remuneration</i>
\$190,000 - \$200,000	2	0	<i>reviews and the timing of</i>
\$280,000 - \$290,000	0	1	<i>employee resignations and</i>
\$310,000 - \$320,000	1	0	<i>appointments.</i>

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 \$75,421 (GST exclusive) for the 2023 annual financial statements audit and \$30,000 for the 2023 disclosure accounts audit are reflected in the financial statements as due and payable.

Donations

The Company made no donations this year (2022: \$0).

Airport Authorities (Airport Companies Information Disclosure) Regulations 1999

A separate set of audited financial statements have been prepared as the disclosure financial statements for the purposes of, and in accordance with, the above Regulations.

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.

Terminal and Property Development Committee

The Company established a Terminal and Property Development Committee (TPDC), comprised of three directors of the PNAL Board, in September 2022. The Committee has a board-approved Terms of Reference, outlining its membership, authority and purpose.

The TPDC acts as a steering group to PNAL's Board, reviews feasibility studies and business cases, and provides oversight of PNAL's vertical and horizontal property development in Ruapehu Aeropark, as well as the redevelopment of the terminal. This Committee was set up to provide adequate governance over PNAL's increasing capital expenditure and increasing complexity of commercial development and the terminal.

PASSENGERS IN 2023

534,651

65%

323,615 2022
400,467 2021

REVENUE

\$12,585,130

33%

\$9,485,265 2022
\$8,345,705 2021

EBITDA

\$6,102,867

100%

\$3,057,567 2022
\$3,598,416 2021

TOTAL COMPREHENSIVE REVENUE

\$1,348,061

91%

\$14,724,944 2022
\$1,145,838 2021

SHAREHOLDER FUNDS

\$84,338,404

1.6%

\$82,990,345 2022
\$68,265,401 2021

A Jetstar airplane is shown in flight, banking to the right. The aircraft is white with blue and grey accents, including the Jetstar logo on the tail and fuselage. The word "JETSTAR" is visible on the side of the fuselage. The background shows an airport terminal with a yellow roof and a green field in the foreground. The sky is overcast and grey.

SERVICE PERFORMANCE

For the year ended 30 June 2023

STATEMENT OF SERVICE PERFORMANCE

The Company's Statement of Intent, against which FY23 performance is judged, is dated 26 May 2022.

The Company is trading as Palmerston North Airport Limited.

The Board of Directors believe that the statements contained in this report accurately reflect the overall performance of Palmerston North Airport Limited for the year ended 30 June 2023.

The below report contains an appropriate and meaningful mix of performance measures for the reporting period, as judged by the Directors. These have been assessed against Palmerston North Airport Limited's Statement of Intent for FY23 and adequately cover the five strategic objectives of the Company. These strategic objectives are considered the most appropriate categories to ensure a full reflection of the Company's performance, highlighting both quantitative and qualitative measures.

In reflecting on future metrics and anticipated performance, the Company refers readers to the FY24-FY26 Statement of Intent, available on its website.

STRATEGIC OBJECTIVES

Compliance

We maintain a safe and secure operation.

- The safety and security of all airport users is our critical concern. We have a Zero Harm approach to those who visit and work within our airport community.
- We will continue to meet our regulatory and statutory obligations including Civil Aviation Rule Part 139, Resource Management Act, Palmerston North and Manawatu District Plans.

Culture

We empower our team members and work as one-team.

- Our People are the key to our success. We will care for each other's well-being, and develop skills, commitment, engagement and resourcefulness across our team recognising achievement.
- Our one-team ethos is supported by the five pillars of Leadership, Trust & Respect, Communication, Empowerment and Celebrating Success.

Customer

We continue to improve the customer experience for all airport users.

- Our customers include all airport users; contractors, tenants, staff, passengers, meeters and greeters, and other airport visitors.
- We lead the way in terms of delivering a high quality and efficient regional airport experience.
- We promote Palmerston North Airport as the gateway and Lower North Island commercial hub to our 90 minute drive market.

Community

We contribute to regional prosperity.

- We are kaitiaki for the environment by operating in a sustainable manner in all of our business activities.
- We recognise our community is multi-cultural and will engage with mana whenua and all ethnic groups.

Commercial

We are a financially sustainable business enabling long term success.

- We maintain and develop core infrastructure that is business critical.
- We diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical income activities.
- We operate a successful enterprise that enables us to provide a return to our shareholder when we have surplus to our on-going investment and operating requirements.
- We facilitate regional economic development by growing passenger and airfreight volumes.

OUR VISION - WHAT WE ASPIRE TO BE

New Zealand's leading regional airport.




OUR PURPOSE

Launching our communities into a promising future.


COMPLIANCE

<i>Activity</i>	<i>Measure</i>	<i>Result</i>	<i>Achieved</i>	<i>Comments</i>
CAA Part 139 Compliance	Maintained	Maintained	●	The 5 yearly CAA Audit of PNAL's compliance with Civil Aviation Rule Part 139 was last conducted in July 2019, with the next scheduled for 2024. Monthly audits continue to be conducted by a third party provider covering the operating and SMS elements of PNAL's CAA Exposition documents. All five Exposition Manuals were updated in FY23, with further updates planned for FY24 to reflect PNAL's implementing new aviation software which will further enhance managing safety and compliance information with stakeholders, including CAA.
Ongoing Safety Management System (SMS) development	<ol style="list-style-type: none"> 1. Audit recommendations adopted 2. Continual improvements made on safety culture 	<ol style="list-style-type: none"> 1. Adopted 2. Ongoing 	<p>●</p> <p>●</p>	<p>The audit recommendations from the November 2021 audit have been adopted and where applicable incorporated into the Safety Management System Manual. Further work is being progressed to enhance Third Party Interfaces with key airport stakeholders. A Safety Culture Survey was conducted for PNAL staff in March 2023. The results of this survey were positive with a shift from an overall score in 2021 of 87% to 90% in the March 2023 survey.</p> <p>PNAL is transitioning to using OneReg software for Safety Management. This will include changes to how hazards and incidents are reported, so there will be training organised as part of the implementation process.</p>
PFAS Management (Global consent, community engagement)	<ol style="list-style-type: none"> 1. Global consent approved 2. Community Engagement Plan implemented 	Underway	●	PNAL also have a PFAS (polyfluoroalkyl substances) Management Plan in place to manage day to day operations. To streamline future consenting PNAL have engaged a consultant to assist in the preparation of the global consent application to Horizons Regional Council.
Noise Management (Ground)	Noise Management Plan update completed	Underway	●	At year-end, PNAL had additional ground noise monitoring equipment in place to record and update ground noise emissions. A report on outcomes is expected in early FY24. No noise complaints were received during FY23.
Cyber Security	Zero down time due to cyber attacks	Zero down time	●	PNAL has continued to invest in its IT network and made further enhancements to its cyber security platform during FY23.



CUSTOMER

Carpark Forecourt cover upgrade	Stage 1 complete	Underway		Construction on Stage 1 of the pick-up/drop-off shelters commenced in May 2023 and was still underway at year-end. This will see 94m of shelters constructed along the pick-up/drop-off area in the carpark to provide all weather protection to passengers.
IT carparking systems and infrastructure	IT systems and infrastructure installed	Completed		All carpark servers were upgraded and digitised during FY23 replacing the end of life servers previously operating. This has provided enhanced reliability and improved reporting outcomes.
Maintain a Net Promoter Score of 30 or above	Net Promoter Score of 30 or above achieved monthly	Average score of 45 for FY23		The Net Promoter score of 45 for the full year is based off 6,977 responses, a 1,497% increase in the number of responses compared to prior year. The number of responses has significantly increased as changes have been made to how surveys are collected from customers connecting to the terminal wi-fi, providing a much more accurate result and valuable insights. The target of 30 is based on average NPS scores for New Zealand aviation and tourism industries.

COMMUNITY

Sustainability - Achievement of Airport Carbon Accreditation (ACA) Level 4	<ol style="list-style-type: none"> 1. ACA Level 4 achieved 2. Waste and water targets achieved 	Underway		<p>PNAL submitted its application for Level 4 for independent audit and verification in June 2023. At year-end, this verification was still underway. Confirmation that the requirements for Level 4 accreditation were satisfied was subsequently received in July 2023.</p> <p>Waste and water outcomes are reflected as part of the Level 4 accreditation.</p>
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CULTURE

Wellness plan rollout	Improved team engagement scores	81%		PNAL conducted its third annual engagement survey in November 2022. The overall engagement score of 81% represented a 10% increase on the prior year score, reflecting PNAL's ongoing investment in its team and OneTeam programme.
Continual improvement of safety culture	Zero lost time injuries	One day lost to injury		There was one single day lost time injury during FY23. This occurred when a team member tripped over a low table and badly bruised their shins.

COMMERCIAL

Ratio of net surplus before interest/tax/depreciation/ revaluations to Total Assets	3%	6%	●	The net surplus before interest/tax/depreciation/ revaluations exceeded expectations largely due to higher passenger numbers resulting in additional revenue, as well as a strong control and focus on costs.
Ratio of net surplus after tax to consolidated shareholders funds inclusive of revaluation reserve	1%	3.5%	●	Increase to the revaluation reserve was higher than budgeted, resulting in higher increase to equity than budgeted. This was more than offset by the net surplus after tax being higher than budgeted, which resulted in the proportion of net profit after tax to equity being higher than budgeted.
Maintain a ratio of consolidated shareholders funds to Total Assets of at least 40%	69%	79%	●	Increase to the revaluation reserve was higher than budgeted, resulting in higher increase to total assets than budgeted. This resulted in total assets as a proportion of consolidated shareholder funds being higher than budgeted.
Interest coverage ratio of EBITDA to interest of at least 2.5 as per BNZ loan covenants	4.9	10.3	●	Interest expenditure was lower than budgeted resulting from the deferral of a number of budgeted capital projects. EBITDA also exceeded budget for the reasons outlined above.
Maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50m	\$69.7m	\$84.3m	●	Increase to the revaluation reserve was higher than budgeted, resulting in higher increase to assets than budgeted. This resulted in total assets being higher than budgeted.
Net Debt*/EBITDA less than 4.5 (long term target)	6.9	1.8	●	Net debt was less than anticipated due to capital expenditure being lower than budgeted as outlined above. EBITDA also exceeded budget for the reasons outlined above. Achievement of this target in future years is likely to be impacted in the short term by the planned terminal redevelopment.
Funds from Operations (FFO**)/Net Debt greater than 11% (long term target)	10%	42%	●	Funds from Operations exceeded budget and Net Debt was below budget for the reasons outlined above.
Passenger volumes	459,000	534,651	●	Strong passenger recovery versus budget in FY23 from the effects of Covid-19.
Airport Drive upgrade Massey to McGregor	Stage 2 complete	Completed	●	Stage 2 of the upgrade was completed in May 2023.

COMMERCIAL

Ruapehu Aeropark Design - Build projects	Tenant(s) secured and construction underway	In progress	●	The tender process for 6,000m ² of warehousing in Zone D is complete together with concept design. At year end, lease negotiations with prospective tenants were underway prior to committing to construction. Discussions with strategic partners to assist in the funding of the development were also ongoing.
IT Finance systems upgrade (Castaway, Xero)	IT Finance systems upgraded	Completed	●	PNAL's ERP system was replaced with Xero from 1 July 2022. Castaway was also introduced as PNAL's financial forecasting and reporting tool from 1 July 2022. This has provided more robust and reliable 'three way forecasting' for PNAL.
Air Service development strategy	Air Service development strategy completed	Completed	●	Roadmap established for the introduction of A320 operations on the Auckland - Palmerston North route service from FY2026.
Asset Management Plan (Building, carpark, Airport Drive infrastructure and maintenance plan) version 1	Asset Management Plan version 1 complete	Ongoing	●	An updated version of the Plan was completed in June 2023 with further revisions to occur in subsequent years.
Freight precinct feasibility	Freight precinct feasibility complete	Completed	●	Internal feasibility completed with discussions to be held with potential tenants to further understand their commercial requirements.

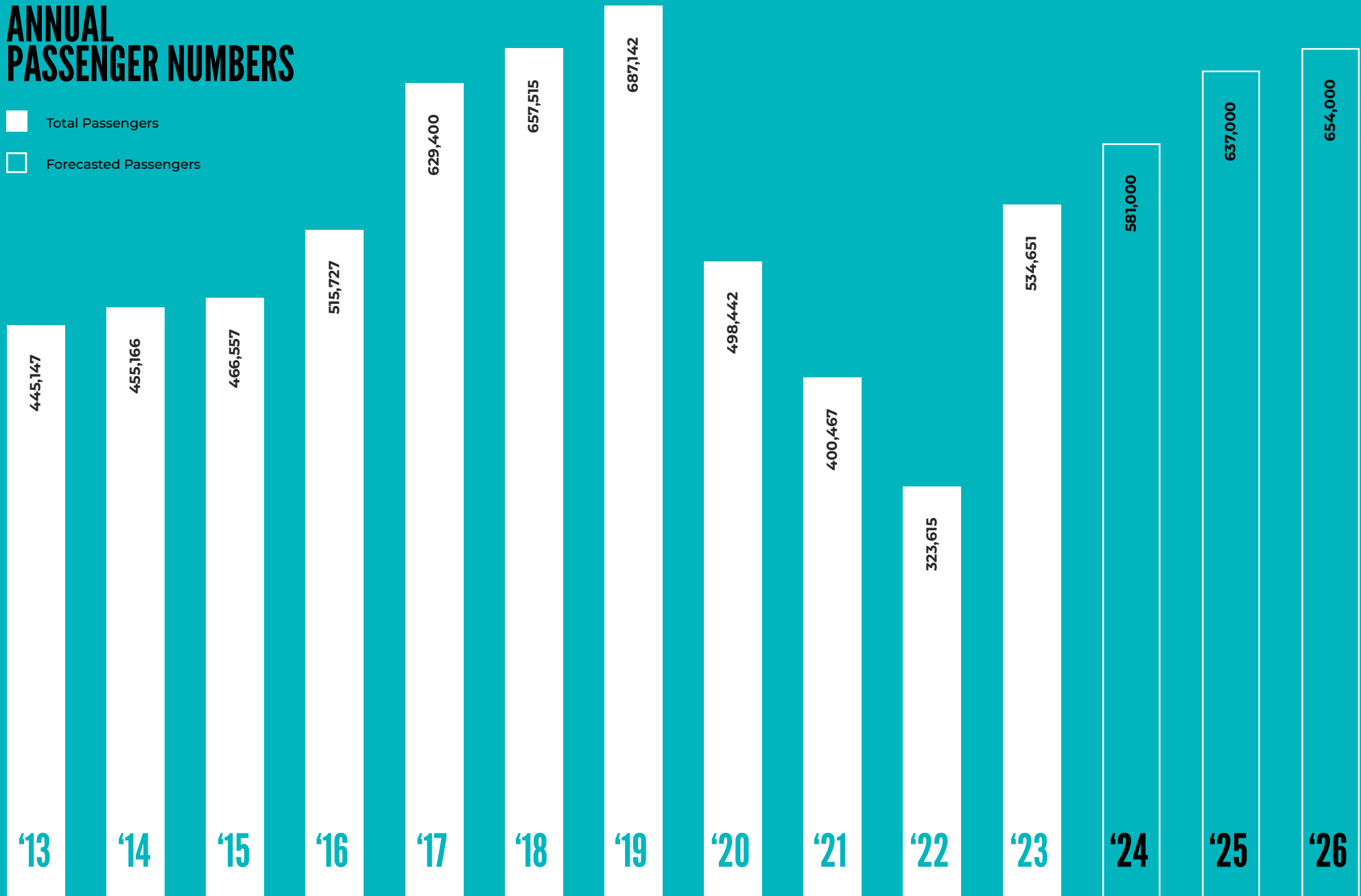
* Net debt equals total borrowing less cash on hand
 ** FFO equals EBITDA less interest less tax

Key

● Meets or exceeds target ● Within 10% of target ● 10% or more below target

ANNUAL PASSENGER NUMBERS

- Total Passengers
- Forecasted Passengers





PALMERSTON NORTH AIRPORT LIMITED

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2023



Murray Georgel
Chair



Shelly Mitchell-Jenkins
Director

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

	Note	30-Jun-23 Actual \$	30-Jun-23 SOI \$	30-Jun-22 Actual \$
Revenue	1	12,585,130	9,919,610	9,485,265
Operating Expenses				
Operations and Maintenance				
Airfield Services	7a	516,945	560,088	578,808
Other Operating Expenses	11	2,404,768	2,972,546	1,813,308
Total Operations and Maintenance		2,921,713	3,532,634	2,392,116
Administration				
Audit Fees	12	105,421	54,576	52,159
Bad Debts Written Off		105	-	15
Expected Credit Loss Allowance for Receivables	4	9,654	5,000	-
Directors' Fees	15	135,000	157,752	112,087
Employee Expenses	7b	1,906,128	1,783,822	1,499,390
General Administration		1,404,242	1,038,354	1,118,747
Cost of Goods Sold	1	-	-	1,253,184
Total Administration		3,560,550	3,039,504	4,035,582
Total Operating Expenses		6,482,263	6,572,138	6,427,698
Earnings Before Interest, Taxation, Depreciation, Amortisation & Valuation of Investment Properties:		6,102,867	3,347,472	3,057,567
Finance Costs, Depreciation, Amortisation and Loss on Sale				
Finance Costs	9	594,399	688,539	533,993
Depreciation and Amortisation	2 & 3	2,173,143	1,624,118	1,804,457
Gain on Sale of Assets		(261,348)	-	4,545
Total Finance Costs, Depreciation		2,506,194	2,312,657	2,342,995
Revaluation (Loss)/Gain - Investment Properties	2a	415,741	-	545,772
Operating Surplus Before Taxation		4,012,414	1,034,815	1,260,344
Taxation Expense on Operating Surplus	6a	1,061,993	289,748	(119,158)
Net Surplus After Taxation Attributable to PNCC		2,950,421	745,067	1,379,502

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2023

	<i>Note</i>	<i>30-Jun-23</i> <i>Actual</i> \$	<i>30-Jun-23</i> <i>SOI</i> \$	<i>30-Jun-22</i> <i>Actual</i> \$
Net Surplus After Taxation Attributable To PNCC		2,950,421	745,067	1,379,502
<i>Other Comprehensive Revenue and Expense</i>				
Gains (Losses) on Property, Plant and Equipment Revaluations	<i>13d</i>	(2,225,500)	-	16,983,720
Movement in Deferred Tax at Revaluation	<i>13d</i>	623,140	-	(3,638,278)
Total Comprehensive Revenue and Expense Attributable to PNCC		1,348,061	745,067	14,724,944

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2023

	<i>Note</i>	<i>30-Jun-23</i> <i>Actual</i> \$	<i>30-Jun-23</i> <i>SOI</i> \$	<i>30-Jun-22</i> <i>Actual</i> \$
Equity at the Beginning of the Year		82,990,345	68,909,908	68,265,401
Total Comprehensive Revenue and Expense for the Year		1,348,061	745,067	14,724,944
Transfer out of Asset Revaluation Reserves for Sale of Assets	<i>13d</i>	(118,727)	-	(172,329)
Transfer into Retained Earnings for Sale of Assets	<i>13d</i>	118,727	-	172,329
Distribution to Shareholder During the Year		-	-	-
Equity at the End of the Year Attributable to PNCC		84,338,404	69,654,975	82,990,345

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 2023

For and on behalf of the Board



Murray Georgel
Chair



Shelly Mitchell-Jenkins
Director

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

	Note	30-Jun-23 Actual \$	30-Jun-23 SOI \$	30-Jun-22 Actual \$
Current Assets				
Cash and Cash Equivalents	5	63,379	56,254	110,229
Trade Accounts Receivable	4	841,970	1,008,143	839,163
Sundry Receivables and Prepayments		201,364	399,904	545,799
Total Current Assets		1,106,713	1,464,301	1,495,191
Current Liabilities				
Revenue in Advance	14	62,371	103,284	107,426
Trade Accounts Payable	14	976,363	1,924,711	667,649
Other Creditors	14	1,158,826	5,018	431,413
Employee Benefit Liabilities	7	358,584	217,832	280,252
Borrowings	10	3,065,000	95,748	11,007,968
Total Current Liabilities		5,621,144	2,346,593	12,494,708
Working Capital		(4,514,431)	(882,292)	(10,999,517)
Non Current Assets				
Property, Plant and Equipment	2	90,347,374	87,448,364	92,713,643
Investment Property	2a	15,400,000	12,752,840	14,900,000
Intangible Assets	3	56,068	12,670	17,525
Total Non Current Assets		105,803,442	100,213,874	107,631,168
Less: Non Current Liabilities				
Deferred Tax Liability	6b	9,250,607	6,516,634	9,941,306
Borrowings	10	7,700,000	23,159,973	3,700,000
Total Non Current Liabilities		16,950,607	29,676,607	13,641,306
Net Assets		84,338,404	69,654,975	82,990,345
Represented by:				
Shareholders Equity				
Paid in Capital	13a	9,380,400	9,380,400	9,380,400
Retained Earnings	13b	27,044,380	23,812,977	23,975,234
Asset Revaluation Reserve	13d	47,913,624	36,461,598	49,634,711
Total Shareholder's Equity		84,338,404	69,654,975	82,990,345

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2023

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

	Note	30-Jun-23 Actual \$	30-Jun-23 SOI \$	30-Jun-22 Actual \$
Cash Flows From Operating Activities				
Cash was provided from:				
Receipts from Customers		12,837,143	11,210,561	8,941,260
Interest Received		-	-	-
Income Tax Refund		-	-	18,056
		12,837,143	11,210,561	8,959,316
Cash was disbursed to:				
Payment to Suppliers and Employees		6,075,735	6,718,241	6,172,450
Tax Loss Payment to PNCC	15	43,105	-	18,266
Payment of Income Tax		649,355	284,608	341,118
Interest Payments		594,399	688,539	533,993
		7,362,595	7,691,388	7,065,827
Net Cash Flows from Operating Activities		5,474,548	3,519,173	1,893,489
Cash Flows From Investing Activities				
Cash was provided from:				
Sale of Property, Plant and Equipment		486,516	-	-
Cash was applied to:				
Acquisitions of Property, Plant and Equipment		1,980,685	12,668,319	2,892,453
Acquisitions of Investment Property		84,259	-	1,261,234
Net Cash Flow from Investing Activities		(1,578,428)	(12,668,319)	(4,153,687)
Cash Flow From Financing Activities				
Cash was provided from:				
Borrowings		5,000,000	9,455,000	3,500,000
Cash was applied to:				
Repayment of Borrowings		8,942,968	303,599	1,492,031
Payment of Dividends	13c	-	-	-
Net Cash from Financing Activities		(3,942,968)	9,151,401	2,007,969
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		(46,848)	2,255	(252,229)
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the year		110,229	53,999	362,458
Cash, Cash Equivalents and Bank Overdrafts Year End	5	63,381	56,254	110,229



NOTES TO THE

FINANCIAL STATEMENTS

Statement of Accounting Policies for the Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS

Statement of Accounting Policies for the Year ended 30 June 2023

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 2023. The financial statements were authorised for issue on 28 September 2023 by the Board.

Basis of Preparation

The financial statements have been prepared on the going concern basis. The Company has prepared a going concern assessment, including an assessment of the ongoing impact of Covid-19, and is satisfied the conditions for a going concern are met. The Company has prepared a three-year Statement of Intent for the FY24-FY26 income years, which is available on the Company's website. This illustrates the anticipated financial position and performance, and for the next three years the Company will be able to meet its financial obligations as they fall due. Assumptions underlying the going concern basis are documented throughout these financial statements.

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 is New Zealand dollars.

Significant Accounting Policies

Measurement Basis

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

Changes in Accounting Policy

Changes due to the initial application of new, revised, and amended PBE Standards.

i) PBE IPSAS 41 Financial Instruments

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments*, which supersedes both PBE IFRS 9 *Financial Instruments* and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*.

PBE IPSAS 41 *Financial Instruments* is effective for periods beginning on or after 1 January 2022 and was adopted by the Company from 1 July 2022.

The main changes between PBE IPSAS 29 and PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Information about the transition to PBE IPSAS 41 is disclosed in Note 18.

1. Analysis Of Operating Revenue

	2023 Actual	2022 Actual
Aeronautical Charges	8,167,352	4,575,560
Car Park, Rent and Advertising	4,125,696	3,088,493
Wage Subsidies & Resurgence Support Payments*	-	247,582
Sale of Inventory**	-	1,306,605
Other	292,082	267,025
	12,585,130	9,485,265

* Government wages subsidies have been recognised at time of receipt of funds.

** During the 2022 financial year two lots of land in Zone B Stage 1 were transferred from Investment Property to Inventory. These lots were then sold during the year. Cost of Goods Sold (\$1,253,184) relating to this inventory is shown separately on the Statement of Comprehensive Revenue and Expense.

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

	<i>Land</i>	<i>Buildings</i>	<i>Airside Infrastructure</i>	<i>Landside Infrastructure</i>	<i>Total Infrastructure</i>	<i>Plant and Equipment</i>	<i>Furniture and Fittings</i>	<i>Computer Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
Balances 1 July 2022										
Cost / Valuation	33,000,000	14,618,162	37,394,091	9,678,671	47,072,762	3,083,722	346,919	164,432	1,327,995	99,613,993
Accumulated Depreciation	-	(802,584)	(811,404)	(3,039,940)	(3,851,344)	(1,836,607)	(248,929)	(142,781)	(18,105)	(6,900,350)
Carrying Amount	33,000,000	13,815,578	36,582,687	6,638,730	43,221,418	1,247,115	97,991	21,652	1,309,889	92,713,643
Movements for the Year										
Reverse Prior Year Work in Progress	-	(1,012,581)	-	(482,304)	(482,304)	(161,743)	-	-	(620,118)	(2,276,746)
Additions & Current Year Work in Progress	-	1,159,155	344,969	1,515,086	1,860,054	664,492	5,744	16,952	829,802	4,536,199
Disposals - Cost / Valuation	(144,935)	-	-	(97,267)	(97,267)	(140,269)	-	(1,645)	-	(384,116)
Revaluation Surplus	-	(2,309,351)	-	-	-	-	-	-	-	(2,309,351)
Reclassification - Cost / Valuation	-	-	-	-	-	-	-	-	-	-
Reclassification - Accumulated Dep.	-	-	-	-	-	-	-	-	-	-
Disposals - Accumulated Dep.	-	-	-	29,740	29,740	102,197	-	1,645	-	133,582
Depreciation for the Year	-	(355,605)	(1,231,169)	(266,937)	(1,498,106)	(212,724)	(21,193)	(12,507)	(49,551)	(2,149,686)
Dep. Reversal on Revaluation	-	83,850	-	-	-	-	-	-	-	83,850
Closing Balances 30 June 2023										
Cost / Valuation	32,855,065	12,455,386	37,739,060	10,614,185	48,353,245	3,446,202	352,663	179,739	1,537,678	99,179,978
Accumulated Dep.	-	(1,074,339)	(2,042,573)	(3,277,138)	(5,319,711)	(1,947,134)	(270,122)	(153,642)	(67,657)	(8,832,604)
Carrying Amount	32,855,065	11,381,047	35,696,487	7,337,047	43,033,534	1,499,069	82,541	26,096	1,470,022	90,347,374
Capital Work in Progress Included at Cost										
30-Jun-23	-	1,150,049	344,972	1,055,062	1,400,034	18,117	-	-	829,802	3,398,002

	<i>Land</i>	<i>Buildings</i>	<i>Airside Infrastructure</i>	<i>Landside Infrastructure</i>	<i>Total Infrastructure</i>	<i>Plant and Equipment</i>	<i>Furniture and Fittings</i>	<i>Computer Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
Balances 1 July 2021										
Cost / Valuation	29,010,130	14,059,596	26,071,772	9,262,493	35,334,265	2,815,357	333,398	148,191	1,068,040	82,768,977
Accumulated Depreciation	-	(704,517)	(2,781,942)	(2,774,762)	(5,556,704)	(1,634,660)	(222,650)	(120,865)	-	(8,239,396)
Carrying Amount	29,010,130	13,355,079	23,289,831	6,487,730	29,777,561	1,180,697	110,749	27,326	1,068,039	74,529,582

Movements for the Year

Reverse Prior Year Work in Progress	-	(694,376)	(1,035)	(303,237)	(304,272)	(34,222)	-	-	(1,068,039)	(2,100,909)
Additions & Current Year Work in Progress	-	1,219,487	1,499,784	719,415	2,219,199	302,587	13,521	16,242	1,327,995	5,099,029
Disposals - Cost / Valuation	-	-	(22,001)	-	(22,001)	-	-	-	-	(22,001)
Revaluation Surplus	3,989,870	33,455	9,845,571	-	9,845,571	-	-	-	-	13,868,896
Reclassification - Cost / Valuation	-	-	-	-	-	-	-	-	-	-
Reclassification - Accumulated Dep.	-	-	-	-	-	-	-	-	-	-
Disposals - Accumulated Dep.	-	-	22,001	-	22,001	-	-	-	-	22,001
Depreciation for the Year	-	(363,504)	(900,850)	(265,178)	(1,166,028)	(201,947)	(26,279)	(21,916)	(18,105)	(1,797,779)
Dep. Reversal on Revaluation	-	265,437	2,849,386	-	2,849,386	-	-	-	-	3,114,824

Closing Balances 30 June 2022

Cost / Valuation	33,000,000	14,618,162	37,394,091	9,678,671	47,072,762	3,083,722	346,919	164,432	1,327,995	99,613,993
Accumulated Dep.	-	(802,584)	(811,404)	(3,039,940)	(3,851,344)	(1,836,607)	(248,929)	(142,781)	(18,105)	(6,900,350)
Carrying Amount	33,000,000	13,815,578	36,582,687	6,638,730	43,221,418	1,247,115	97,991	21,652	1,309,889	92,713,643

Capital Work in Progress Included at Cost

30-Jun-22	-	1,012,581	-	482,304	482,304	161,743	-	-	620,118	2,276,746
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Land, Buildings and Airside Infrastructure Fair Value

Land

Land is valued at fair value.

The most recent fair value assessment was performed by independent registered valuers, Morgan's Property Advisors. The assessment is effective as at 30 June 2023 and resulted in a suggested decrease in value of \$3.0m. The Company has considered that this movement is not sufficiently material to warrant the recognition of any fair value adjustment for the year ended 30 June 2023.

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

As per Commerce Commission guidelines, fair value has been determined using the Market Value Alternative Use Highest and Best Use (MVAU) methodology. A discounted cashflow has been used to determine the MVAU.

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 between 1.5% and 3.0% over the next ten years
- 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 changes in key inputs to assumptions would significantly change the fair value. The change to the fair value assessment from changing these inputs has been estimated as follows:

- Decreasing the discount rate to 17.5% would result in an increase in land value of \$1.7m.
- Increasing the discount rate to 22.5% would result in a decrease in land value of \$2.7m.
- If the land inflation rate was increased to 5.00% annually this would result in an increase of land value of \$2.9m.
- No land inflation over the 10 years would result in a reduction in land value of \$1.6m.

- An increase of Basic Development Costs by 10% would result in a reduction of \$2.4m. This assumes a change in the Basic Development Costs from 25% to 27.5%.
- An increase of Basic Development Costs by 50% would result in a reduction of \$9.4m. This assumes a change in the Basic Development Costs from 25% to 37.5%

Buildings

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.

The most recent valuation was performed by independent registered valuers Morgan's Property Advisors. The valuation is effective as at 30 June 2023 and resulted in a decrease of \$0.23m. This has been recognised in the 2023 annual accounts.

Key judgements have been made in respect of the terminal building relating to the Detailed Seismic Assessment rating and potential consequences relating to tenancies. These judgements have driven a reduction in the fair value of the terminal by \$0.24m. This reduction has been recognised in the 2023 annual accounts as a major component of the valuation movement outlined above.

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

Airside Infrastructure

Airside Infrastructure is valued at fair value based on Depreciated Replacement cost in accordance with PBE IPSAS 17.

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.

Construction prices have increased substantially since the completion of FY22. However, escalation has begun to 'stabilise' or 'slow down' in the final quarter of FY23 though remains high when comparing to the 20-year average escalation rate. This can be attributed to the following factors:

- Material prices such as steel and concrete stabilising compared to FY22.
- Labour recruitment and retention remaining a persistent issue across New Zealand, following on from FY22, with a shortage of skilled construction workers; and
- A strong pipeline of future infrastructure projects, indicating a steady pipeline of future works. New Zealand continues to recover from the effect of Covid-19 on the construction industry.

The most recent fair value assessment was performed by independent consultant engineers and valuers AECOM New Zealand Limited. The valuation is effective as at 30 June 2023 and resulted in a weighted average increase of \$3.2m compared to FY22. The Company has considered that this movement is not sufficiently material to warrant the recognition of any fair value adjustment for the year ended 30 June 2023.

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

Landside Infrastructure

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

Impairment

Impairment for Property, Plant and Equipment for 2023 was nil (2022: 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 over land at 230, 289 and 296 Milson Line (CT WN48A/146, CT WN55B/574 and CT 242875), 320 Milson Line (CT 716768), and Railway Road (CT 480423 and CT 503654), RD10, Roslyn, Palmerston North.

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. 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 and landside infrastructure are measured at cost less accumulated depreciation and impairment losses with the following exceptions:

- 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 & 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 (including Fire Appliances)	5 - 15 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, 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 programmes;
- 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.

The Company has assessed the impact of the planned terminal redevelopment on the remaining useful life of the Terminal Building. As the redevelopment is yet to be committed to, the Company considers there to be no impact on remaining useful life at 30 June 2023.

2a. Investment Property

	2023 Actual	2022 Actual
Opening Balance	14,900,000	13,786,000
Additions and Acquisitions	84,259	1,261,234
Depreciation	-	-
Reclassification from PPE	-	-
Reclassification from Assets Held for Sale	-	-
Reclassification to Inventory	-	(693,006)
Fair Value Gains/(Losses) on Valuation	415,741	545,772
Closing Balance	15,400,000	14,900,000

Investment Property consists of the following:

- Land and improvements associated with one property at 100 Airport Drive, occupied by two tenants;
- Land and improvements associated with the Massey University School of Aviation Facility;
- Land and improvements associated with the Zone B Stage 1 subdivision which are available for lease (design/build); and
- Land and improvements associated with three lots on Zone H.

Investment Property is valued annually at 30 June at fair value. The valuation was performed by independent valuers Morgan's Property Advisors as at 30 June 2023. The valuer holds the recognised and relevant qualifications of MPINZ NZIV BBS (VMP) and has significant valuation experience in the local region and for the category of investment property.

The valuation resulted in an increase in value of \$0.42m.

Rental income for the year was \$0.7m (2022: \$0.6m). There were no expenses from Investment Property generating income. There are no outstanding contractual obligations relating to Investment Property.

Valuation methodology and significant assumptions

One of the lots within the Zone B Stage 1 was subject to sale and purchase agreements as at 30 June 2023. The Company has determined that there was significant uncertainty as at 30 June 2023 as to whether this lot would ultimately be sold. As such, this lot has been classified as Investment Property (instead of Inventory).

In determining the fair value, the valuer has relied on the following methodologies and significant assumptions:

<i>Investment Property</i>	<i>Valuation Methodologies</i>	<i>Significant Assumptions</i>
Massey School of Aviation	<ul style="list-style-type: none"> • Cost Approach via a Replacement Cost Method (RCM) • Income Approach via a Discounted Cash Flow (DCF) • Market Approach via looking at comparable sales 	<ul style="list-style-type: none"> • Depreciation and saleability condition of the assets • Costs to subdivide the land • Various capitalisation rates
100 Airport Drive	<ul style="list-style-type: none"> • Cost Approach via an RCM • Income Approach via a Capitalisation Rate Method • Market Approach via looking at comparable sales 	<ul style="list-style-type: none"> • Depreciation and saleability condition of the assets • Costs to subdivide the land • Various capitalisation rates • Market rentals for similar types of improvements (workshop, offices, carparks)
Zone B Stage 1	<ul style="list-style-type: none"> • Hypothetical Subdivision Method 	<ul style="list-style-type: none"> • Lot sizes as specified in the Zone B Stage 1 subdivision plan • Costs to subdivide the land
Three lots on Zone H	<ul style="list-style-type: none"> • One or more methods including: • Income Approach via a DCF • Market Approach via looking at comparable sales 	<ul style="list-style-type: none"> • Costs to subdivide the land • Various capitalisation and discount rates

3. Intangible Assets

	<i>Website</i>	<i>Software</i>	<i>Total</i>
Balance as at 1 July 2022	21,500	36,599	58,099
Accumulated Amortisation	(4,032)	(36,541)	(40,574)
Carrying Amount	17,468	57	17,525
Movement for the Year			
Reverse Prior Year Work in Progress	-	-	-
Additions and Current Year Work in Progress	-	62,000	62,000
Reclassification - Cost	-	-	-
Reclassification - Accumulated Amortisation	-	-	-
Disposals	-	3,500	3,500
Disposal - Accumulated Amortisation	-	(3,500)	(3,500)
Amortisation for the Year	(5,375)	(18,082)	(23,457)
Closing Balance 30 June 2023			
Cost / Revaluation	21,500	102,099	123,599
Accumulated Amortisation	(9,407)	(58,124)	(67,531)
Carrying Amount	12,093	43,975	56,068
Capital Work in Progress Included at Cost	-	1,920	1,920
Balance as at 1 July 2021			
Cost / Revaluation	43,428	37,952	81,380
Accumulated Amortisation	(15,733)	(36,895)	(52,627)
Carrying Amount	27,695	1,057	28,752
Movement for the Year			
Reverse Prior Year Work in Progress	(21,500)	-	(21,500)
Additions and Current Year Work in Progress	21,500	-	21,500
Reclassification - Cost	-	-	-
Reclassification - Accumulated Amortisation	-	-	-
Disposals	(21,928)	(1,353)	(23,281)
Disposal - Accumulated Amortisation	17,925	806	18,732
Amortisation for the Year	(6,225)	(453)	(6,678)
Closing Balance 30 June 2022			
Cost / Revaluation	21,500	36,599	58,099
Accumulated Amortisation	(4,032)	(36,541)	(40,574)
Carrying Amount	17,468	57	17,525
Capital Work in Progress Included at Cost	-	-	-

Intangible Assets

Internally Generated Intangible Assets

Costs associated with the development of the Company's website 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. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

Website Development	4 years: 25%
Software	2.5 years: 40%

4. Trade Accounts and Other Receivables

	2023 Actual	2022 Actual
Debtors and Other Receivables	859,259	846,598
Receivables from Related Party	-	200
Allowance for Credit Losses	(17,289)	(7,635)
Total	841,970	839,163

Trade and Other Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Company applied the simplified ECL model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped based on days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Previous accounting policy

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

5. Cash and Cash Equivalents

	2023 Actual	2022 Actual
Current Account	59,311	106,039
Cash on Hand	4,068	4,190
Total	63,379	110,229

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

	2023 Actual	2022 Actual
Operating Surplus (Deficit) Before Taxation	4,012,414	1,260,344
Tax at 28%	1,123,476	352,896
<i>Plus (Less) Tax Effect of:</i>		
- Permanent Differences / Non-deductible Expenditure	3,247	(255,348)
- Prior Year Under / (Over) Provision	-	102
- Loss on Sale of Land	-	(216,808)
- Deferred Tax Adjustment	(64,731)	-
Tax Charge for the Year	1,061,992	(119,158)
<i>Tax expense for the year comprising:</i>		
Current Tax Expense	1,129,551	94,346
Prior Year Adjustments	-	102
Deferred Tax Expense	(67,559)	(213,606)
	1,061,992	(119,158)

6b. Deferred Tax (Assets) / Liabilities

	<i>Investment Property</i>	<i>Property, Plant and Equipment</i>	<i>Employee Entitlements</i>	<i>Other Provisions</i>	<i>Total</i>
Balance at 1 July 2022	156,460	9,846,929	(59,567)	(2,516)	9,941,306
Transfer PPE to IP	-	-	-	-	-
Charged to Surplus and Deficit - Current Year	49,330	(97,562)	(16,601)	(2,726)	(67,559)
Charged to Other Comprehensive Income	-	(623,140)	-	-	(623,140)
Balance at 30 June 2023	205,790	9,126,227	(76,169)	(5,242)	9,250,607
Balance at 1 July 2021	-	6,560,010	(40,167)	(3,209)	6,516,634
Transfer PPE to IP	193,544	(193,544)	-	-	-
Charged to Surplus and Deficit - Current Year	(37,084)	(157,814)	(19,400)	693	(213,605)
Charged to Other Comprehensive Income	-	3,638,278	-	-	3,638,278
Balance at 30 June 2022	156,460	9,846,929	(59,567)	(2,516)	9,941,306

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 realised 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.

For deferred tax purposes, PNAL has not rebutted the recovery through sale presumption in respect of buildings held as investment property.

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

	2023 Actual	2022 Actual
Accrued Pay (inc bonus accrual)	153,095	119,012
Annual Leave	205,488	161,240
Total	358,584	280,252

7a. Airfield Service

	2023	2022
	Actual	Actual
Salaries and Wages	434,282	365,424
Employer Contribution to Kiwi Saver	11,459	-
Movement in Employee Entitlements	43,822	31,145
Other Rescue Fire Costs	27,383	-
External Rescue Fire Contractor	-	182,240
Total	516,945	578,809

In October 2021, the Company insourced Rescue Fire Services (RFS) from a third party contractor. Airfield Service costs comprise those specifically relating to employee costs associated with RFS employees.

Airfield service costs reflect a vacancy for 11 months in 2023.

7b. Employee Expenses

	2023	2022
	Actual	Actual
Salaries and Wages	1,774,355	1,351,938
Employer Contribution to Kiwi Saver	53,442	50,560
Movement in Employee Entitlements	78,332	96,892
Total	1,906,128	1,499,390
Full time equivalent	14	13

The above employee costs exclude Rescue Fire Services. Refer to Note 7a above.

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 and annual leave earned but not yet taken at balance date.

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.

Salaries and wages are recognised as an expense as employees provide services.

Presentation of employee entitlements

Annual leave is 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.

8. Commitments

	2023	2022
	Actual	Actual
Operating Commitments as Lessee		
Less than 1 Year	148,591	66,905
Between 1 and 5 Years	196,179	46,606
Over 5 Years	-	-
Total	344,770	113,511

Operating Commitments as Lessor

Less than 1 Year	1,923,351	1,769,714
Between 1 and 5 Years	5,484,200	5,082,794
Over 5 Years	4,745,922	5,003,112
Total	12,153,473	11,855,620

On-going leases per month	180,989	166,401
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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 three motor vehicles. The unexpired terms of leases as at 30 June 2023 range from 3 to 45 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 outlined.

2023 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 \$2,403 per annum that are on a month to month basis (2022: \$2,718). There are no contingent rents recognised as revenue in the period.

Capital Commitments

PNAL had capital commitments of \$3.26m as at 30 June 2023 largely relating to a Surface Enrichment Spray Treatment for the runway, consultants in respect of the terminal redevelopment and committed costs in respect of the pick-up/drop off shelters in the general carpark (2022: \$0.87m).

9. Finance Costs

	2023	2022
	Actual	Actual
Interest on Secured Long Term Loans	594,399	533,993
	594,399	533,993

10. Borrowings

	2023	2022
	Actual	Actual
Current Borrowings	3,065,000	11,007,968
Non-Current Borrowings	7,700,000	3,700,000
Total Borrowings	10,765,000	14,707,968

Borrowings and Borrowing Costs

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities where the debt tranche is floating or fixed for less than 12 months after balance date. Otherwise borrowings are classified as non-current. PNAL's debt facility with Bank of New Zealand (BNZ) has a current maturity date of December 2025 which covers both the current and non-current debt specified above.

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 \$5.77m borrowings (2022: \$14.7m) from BNZ. 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 had borrowing facilities available from BNZ but not yet drawn down of \$9.9m at 30 June 2023 (2022: \$1.9m).

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

The Company raises long term borrowings from BNZ 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.

The Company also has an unsecured, subordinated loan agreement with the Shareholder. The balance of this loan at 30 June 2023 is \$5m (2022: nil). The facility limit is subject to annual review and is set at the lesser of \$50m or the Company's approved annual SOI debt plus 10%. The Company is charged an arms length fair market rate margin on any borrowings from the Shareholder. The debt facility with the Shareholder has a current maturity date of June 2033.

11. Other Operating Expenses

	2023	2022
	Actual	Actual
Rates	433,807	430,056
Power and Insurance	519,930	449,737
Repairs and Maintenance	1,451,031	933,515
Total	2,404,768	1,813,308

12. Audit Fees

	2023	2022
	Actual	Actual
Fees for Audit of Financial Statements	75,421	52,159
Fees for Audit of Disclosure Financial Statements	30,000	-
Disbursements	-	-
Audit Fees from Other Providers	-	-
Total	105,421	52,159

13. Equity

(a) Share Capital

	2023	2022
	Actual	Actual
9,195,000 Ordinary Share Capital	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

	2023	2022
	Actual	Actual
Opening Balance	23,975,233	22,423,403
Net Operating Surplus	2,950,421	1,379,502
Dividends Paid During Year	-	-
Transfer from Asset Revaluation Reserve for Sale of Assets	118,727	172,329
Closing Balance	27,044,380	23,975,233

(c) Dividends

No dividend has been declared for the 12 months ending 30 June 2023 (2022: Nil).

(d) Asset Revaluation Reserve

	2023	2022
	Actual	Actual
Opening Balance	49,634,711	36,461,598
<i>Revaluation Movement</i>		
- Land	-	3,989,870
- Buildings	(2,225,501)	298,892
- Airside Infrastructure	-	12,694,958
<i>Less Deferred Taxation</i>		
- Movement - Buildings	623,140	(83,690)
- Movement - Airside Infrastructure	-	(3,554,588)
- Transfer to Retained Earnings for Sale of Assets	(118,727)	(172,329)
Closing Balance	47,913,624	49,634,711

Asset Revaluation Reserve Consists of

- Land	25,083,100	25,201,828
- Buildings	866,913	2,469,273
- Airside Infrastructure	21,963,610	21,963,610
	47,913,624	49,634,711

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.

Historic revaluation gains relating to land transferred to Investment Property from Property, Plant and Equipment during prior income years remain in the reserve until the land is disposed. Total historic revaluation gains reflected in reserves relating to Investment Property total \$1.5m at 30 June 2023 (2022: \$1.5m).

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

	2023	2022
	Actual	Actual
Revenue in Advance from Exchange Transactions	62,371	107,426
Revenue in Advance from Non-Exchange Transactions	-	-
Total	62,371	107,426
Trade Accounts Payable from Exchange Transactions		
Trade Accounts Payable	495,845	731,233
Payables to Related Party	109,012	2,001
Trade Accounts Payable from Non-Exchange Transactions		
Income Tax Payable	371,506	(65,585)
Total	976,363	667,649
Other Creditors from Exchange Transactions		
Other Creditors	1,096,078	580,367
Other Creditors from Non-Exchange Transactions		
GST (Refundable) / Payable	62,748	(148,954)
Total	1,158,826	431,413

15. Related Party Transactions

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

PNAL received services from PNCC during the 12 months ended 30 June 2023 for \$451,696 (2022: \$458,490). In addition, during the 2023 income year, PNAL utilised accumulated tax losses from PNCC totalling \$153,948, resulting in a tax payment to PNCC of \$43,105 for the 2022 tax year (2022: The tax losses utilised totalled \$65,237 via a tax payment to PNCC of \$18,266 for the 2021 tax year).

PNAL paid interest to PNCC of \$115,530 during the year. A further \$103,354 of interest was accrued but unpaid at 30 June 2023.

PNAL historically paid a dividend to PNCC each year equating to 40% of after-tax surplus (excluding Fair Value Gains/Losses on Investment Property). However, due to Covid-19, no dividends were declared for the year ended 30 June 2023 or 2022.

PNAL provided services to PNCC during the 12 months ended 30 June 2023 for \$21,558 (2022: \$30,037). Other than the tax loss, all transactions were conducted on normal commercial terms.

PNAL owed PNCC \$109,012 inclusive of GST as at 30 June 2023 (2022: \$2,001).

PNCC owed PNAL \$ 0 inclusive of GST as at 30 June 2023 (2022: \$200).

Key Personnel Remuneration

	2023 Actual	2022 Actual
Directors Remuneration	135,000	112,088
Number of Directors	5	5
Senior Management Team including the Chief Executive Remuneration	1,100,739	841,603
Full Time Equivalents	6	6

Variances in the table above arise from independent market remuneration reviews and the timing of employee resignations and appointments

Other Significant Policies

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. Other Financial Assets

Other financial assets are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- Amortised cost;
- Fair value through other comprehensive revenue and expense (FVTOCRE); and
- Fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated as FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Company's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collection contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Company may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance.

Expected credit loss allowance (ECL)

The Company recognises an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to the Company in accordance with the contract and cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due. The Company may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligation in full.

If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Previous accounting policy

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 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 has 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 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.

17. Major Variances Explained

Account	Actual	Budget	Variance	Notes
Operating Revenue	12,585,130	9,919,610	2,665,520	Passenger numbers of 534,651 was 75,651 ahead of budget. This resulted in aeronautical charges and carpark revenue exceeding budget.
Operations Expenditure	2,921,713	3,532,634	(610,921)	Careful management of expenditure through FY23, including the partial deferral of a Surface Enrichment Spray Treatment (\$433k) on the runways until FY24.
Finance Costs	594,399	688,539	(94,140)	Total debt lower than budgeted resulted in lower finance costs.
Gain on Sale of Assets	(261,348)	-	(261,348)	Budget assumed no land sales to occur in FY23. Actuals included gain on sale of one land parcel (classed as Property, Plant & Equipment) offset by loss on disposal of some assets.
Revaluation (Loss) / Gain - Investment Properties	415,741	-	415,741	Revaluation movements are not budgeted.
Deferred Tax Liability	9,250,607	6,516,634	2,733,973	Largely relates to deferred tax implications arising on revaluation of land, buildings and airside infrastructure.
Current Assets	1,106,713	1,464,301	(357,588)	Year-end actual trade debtors balance lower than budgeted.
Current Liabilities (excluding bank overdraft and current borrowings)	2,556,144	2,250,845	305,299	Year-end accruals higher than budgeted.
Property, Plant, Equipment, Intangible Assets & Investment Property	105,803,442	100,213,874	5,589,568	Budget set prior to FY22 revaluation gains being recognised at year-end. FY23 actuals reflect both FY22 and FY23 revaluations gains/losses.
Total Borrowings	10,765,000	23,255,721	(12,490,721)	Capital spend below budget resulted in reduced debt requirements.

18. Financial Instruments

In accordance with the transitional provisions in PBE IPSAS 41, the Company has elected not to restate the comparative information. The comparative information continues to be reported under PBE IPSAS 29. Adjustments arising from the adoption of PBE IPSAS 41 are recognised in opening equity at 1 July 2022 (the date of initial application).

The accounting policies for the year ended 30 June 2023 have been updated to comply with PBE IPSAS 41. The main changes to the Company's accounting policies are:

- Note 4 – Trade Accounts And Other Receivables – This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying the simplified expected credit loss model.
- Note 16 – Other Financial Assets – This policy has been updated to reflect:
 - The new classification categories;
 - The measurement and recognition of loss allowances;

PBE IPSAS 41 also amended the financial instruments disclosure of PBE IPSAS 30. This has resulted in new or amended disclosures, mostly in relation to hedge accounting and credit risk. These are not applicable to the Company.

On the date of initial application of IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined in the tables below.

Financial Assets	Measurement classification		30 June 2022	1 July 2022	Adoption adjustment
	PBE IPSAS 29	PBE IPSAS 41	PBE IPSAS 29	PBE IPSAS 41	
Cash and Cash Equivalents	Loans and receivables	Amortised cost	110,229	110,229	-
Trade Receivables	Loans and receivables	Amortised cost	839,163	839,163	-

The measurement categories and carrying amounts for financial liabilities have not changed on transition to PBE IPSAS 41.

Financial instrument categories

The following tables are comparisons of carrying amounts of the Company's financial assets and liabilities in each of the financial instrument categories:

Financial Assets - Amortised Cost	Rating*	2023	2022
		Actual	Actual
Cash and Cash Equivalents	AA-	63,379	110,229
Trade Receivables		841,970	839,163
Total Financial Assets at Amortised Cost		905,349	949,392

*Standard & Poor's Rating for BNZ

Financial Liabilities - Amortised Cost	2023	2022
	Actual	Actual
Trade Accounts and Other Payable	1,700,935	1,099,062
Bank Overdraft	-	-
Borrowings - Secured Loans	10,765,000	14,707,968
Total Financial Liabilities at Amortised Cost	12,465,935	15,807,030

19. Events After Balance Date

There have been no significant events occurring after Balance Date.

20. 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 2019 financial year. No further testing and investigation has been completed during the 2023 financial year (2022: \$56,127).

Future outflows associated with monitoring and treating PFOS are expected to be incurred in future accounting periods. However, the timing and value of outflows are not able to be reliably estimated at 30 June 2023.

FINANCIAL HIGHLIGHTS

	Year Ending	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statement of Financial Performance <i>Values in millions (000)</i>	Total Revenue	12,585	9,485	8,346	9,137	10,202	8,483	7,313	5,523	4,943	4,818	4,590
	Net Surplus Before Interest, Depn, Taxation & Reval of Investment Property	6,103	3,058	3,598	4,079	5,025	4,074	3,534	2,391	2,064	1,847	1,765
	Net Surplus Before Taxation & Misc Items (*)	3,597	715	1,257	1,695	2,593	2,211	1,849	841	911	756	709
	Net Surplus After Taxation Excluding Deferred Tax Adjustments (*)	2,535	834	819	2,024	1,713	1,609	1,299	805	662	544	492
	Earnings Per \$ of Paid Up Share Capital (excl. any Premium on Issue and Deferred Tax Adjustments) (*)	27.02c	8.89c	8.73c	21.58c	18.26c	17.50c	14.13c	8.75c	7.20c	5.92c	5.35c
	Dividend Proposed or Paid Per \$ of Paid Up Share Capital (excl. of any Premium on Issue)	0.00c	0.00c	0.00c	0.00c	7.31c	7.00c	5.65c	3.50c	2.88c	2.37c	2.14c

Statement of Financial Position

Values in millions (000)

Total Assets	106,910	109,126	89,416	86,468	89,617	77,894	73,588	62,946	61,543	44,904	43,727
Shareholders Funds	84,338	82,990	68,265	67,120	67,481	60,704	59,615	49,810	49,305	35,823	35,475
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	\$9.17	\$9.03	\$7.42	\$7.30	\$7.34	\$6.60	\$6.48	\$5.42	\$5.36	\$3.90	\$3.86
Return On Shareholder Funds (excluding Deferred Tax Adjustments)*	3.01%	1.00%	1.20%	3.02%	4.10%	2.65%	2.18%	1.62%	1.34%	1.52%	1.39%

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

ANNUAL PASSENGER NUMBERS

Year Ending	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Passengers	534,651	323,615	400,467	498,442	687,142	657,515	629,400	515,727	466,557	455,166	445,147

A large commercial airplane is shown from a low angle, focusing on the fuselage and wing area. The aircraft is metallic and has several rivets and panels visible. The background shows a clear blue sky, a green field, and a range of snow-capped mountains in the distance. The overall scene is brightly lit, suggesting a clear day.

INDEPENDENT AUDITOR'S REPORT

To the readers of Palmerston North Airport Limited's
financial statements and performance information
For the year ended 30 June 2023

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

Opinion

We have audited:

- the financial statements of the Company on pages 19 to 39, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, 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 measures of the Company on pages 13 to 17.

In our opinion:

- the financial statements of the Company on pages 19 to 39:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 Reduced Disclosure Regime; and
- the performance information of the Company on pages 13 to 17 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 2023.

Our audit was completed on 28 September 2023. 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 the Board of Directors intends to liquidate the Company or to cease operations or has 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.

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 judgement and maintain professional scepticism 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 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 its 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 during 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 1 to 12 and 45 but does not include the financial statements and the 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we will carry out an assurance engagement in relation to the Company's disclosure financial statements pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, which are compatible with those independence requirements.

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



Debbie Perera
Audit New Zealand

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



PALMERSTON NORTH AIRPORT LIMITED

COMPANY DIRECTORY

As at June 2023

DIRECTORS

Murray Georgel	Chair
Shelly Mitchell Jenkins	Chair of Audit & Risk Committee
Christopher Cardwell	Chair of Terminal & Property Development Committee
Sarah Laurence	
Gerard Gillespie	Retired June 2023

MANAGEMENT

David Lanham	Chief Executive
Olivia Pierre	Chief Commercial Officer
Jonathon Baker	Chief Financial Officer
Brent Lawry	Terminal & Facilities Manager
Muhammad Dahlan	Capital Projects & Asset Manager
Alex Fechney	Safety & Operations Manager

REGISTERED OFFICE

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PALMERSTON NORTH

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

TRADING BANKERS

Bank of New Zealand

LEGAL ADVISORS

Cooper Rapley Lawyers

AUDITOR

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

NOT PRINTED WITH THE ENVIRONMENT IN MIND



airport
carbon
accredited
REDUCTION



MORE THAN
A FLIGHT