2023 DISCLOSURE FINANCIAL STATEMENTS

PALMERSTON NORTH
AIRPORT LIMITED

DISCLOSURE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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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

Palmerston North Airport Limited
Terminal Building
Airport Drive
PALMERSTON NORTH

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TRADING BANKERS

Bank of New Zealand

LEGAL ADVISORS

Cooper Rapley Lawyers

AUDITOR

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

DIRECTORS REPORT

For the year ended 30 June 2023

The Directors have pleasure in presenting the Disclosure Financial Statements of Palmerston North Airport Limited (the Company) 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 Business Park 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).

AIRPORT AUTHORITIES (AIRPORT COMPANIES INFORMATION DISCLOSURE) REGULATIONS 1999

These statements present the results of the Identified Airport Activities of the Company and additional information and have been prepared for the purposes of, and in accordance with, the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014.

PALMERSTON NORTH AIRPORT LIMITED

DISCLOSURE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2023

	Note	30-Jun-23 Actual $	30-Jun-22 Actual $
Revenue	*1*	**9,002,424**	**5,477,822**
Operating Expenses			
Operations and Maintenance			
Airfield Services	*7a*	506,077	578,809
Other Operating Expenses	*11*	1,864,655	1,403,802
Total Operations and Maintenance		**2,370,731**	**1,982,611**
Administration			
Audit Fees	*12*	86,246	39,294
Bad Debts Written Off		105	15
Expected Credit Loss Allowance for Receivables		9,654	-
Directors' Fees		100,679	84,434
Employee Expenses	*7b*	1,412,619	1,039,161
General Administration		867,636	775,522
Cost of Goods Sold		-	-
Total Administration		**2,476,938**	**1,938,425**
Total Operating Expenses		**4,847,670**	**3,921,036**
Earnings Before Interest, Taxation, Depreciation, Amortisation & Valuation of Investment Properties:		**4,154,755**	**1,556,786**
Finance Costs, Depreciation, Amortisation and Loss on Sale			
Finance Costs	*9*	443,283	402,250
Depreciation and Amortisation	*2 & 3*	1,758,439	1,391,686
Loss on Sale of Assets		88,347	6,470
Total Finance Costs, Depreciation		**2,290,069**	**1,800,407**
Revaluation (Loss)/Gain - Investment Properties	*2a*	6,839	11,994
Operating Surplus Before Taxation		**1,871,525**	**(231,627)**
Taxation Expense on Operating Surplus	*6a*	663,700	(97,440)
Net Surplus After Taxation Attributable to PNCC		**1,207,825**	**(134,187)**

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2023

	Note	30-Jun-23 Actual $	30-Jun-22 Actual $
Net Surplus After Taxation Attributable To PNCC		**1,207,825**	**(134,187)**
Other Comprehensive Revenue and Expense			
Gains (Losses) on Property, Plant and Equipment Revaluations	*13d*	(1,672,858)	16,350,599
Movement in Deferred Tax at Revaluation	*13d*	468,400	(3,569,097)
Total Comprehensive Revenue and Expense Attributable to PNCC		**3,367**	**12,647,316**

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2023

	Note	30-Jun-23 Actual $	30-Jun-22 Actual $
Equity at the Beginning of the Year		**60,801,449**	**48,068,210**
Opening Balance Reclassification to/from Non-Aero		16,235	85,924
Total Comprehensive Revenue and Expense for the Year		3,367	12,647,316
Transfer out of Asset Revaluation Reserves for Sale of Assets	*13d*	(107,307)	(155,655)
Transfer into Retained Earnings for Sale of Assets	*13d*	107,307	155,655
Distribution to Shareholder During the Year		-	-
Equity at the End of the Year Attributable to PNCC		**60,821,052**	**60,801,449**

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

	Note	30-Jun-23 Actual $	30-Jun-22 Actual $
Current Assets			
Cash and Cash Equivalents	5	47,266	83,034
Trade Accounts Receivable	4	796,239	606,934
Sundry Receivables and Prepayments		41,601	309,222
Total Current Assets		**885,106**	**999,189**
Current Liabilities			
Revenue in Advance	14	49,863	22,181
Trade Accounts Payable	14	598,974	373,826
Other Creditors	14	664,287	67,148
Employee Benefit Liabilities	7	282,219	204,849
Borrowings	10	2,285,777	8,292,164
Total Current Liabilities		**3,881,120**	**8,960,167**
Working Capital		**(2,996,014)**	**(7,960,977)**
Non Current Assets			
Property, Plant and Equipment	2	78,200,824	80,365,482
Investment Property	2a	611,624	603,361
Intangible Assets	3	8,914	13,715
Total Non Current Assets		**78,821,362**	**80,982,559**
Less: Non Current Liabilities			
Deferred Tax Liability	6b	8,465,741	9,042,189
Borrowings	10	6,538,555	3,177,944
Total Non Current Liabilities		**15,004,296**	**12,220,133**
Net Assets		**60,821,052**	**60,801,449**
Represented by:			
Shareholders Equity			
Paid in Capital	13a	6,748,106	6,748,106
Retained Earnings	13b	8,936,043	7,620,911
Asset Revaluation Reserve	13d	45,136,903	46,432,432
Total Shareholder's Equity		**60,821,052**	**60,801,449**

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2023

	Note	30-Jun-23 Actual $	30-Jun-22 Actual $
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		8,889,217	5,502,698
Interest Received		-	-
Income Tax Refund		-	-
		8,889,217	**5,502,698**
Cash was disbursed to:			
Payment to Suppliers and Employees		4,283,511	4,024,308
Tax Loss Payment to PNCC		-	-
Payment of Income Tax		439,606	431,320
Interest Payments		443,283	402,250
		5,166,400	**4,857,878**
Net Cash Flows from Operating Activities		**3,722,817**	**644,820**
Cash Flows From Investing Activities			
Cash was provided from:			
Sale of Property, Plant and Equipment		986	-
Cash was applied to:			
Acquisitions of Property, Plant and Equipment		1,137,408	3,211,312
Acquisitions of Investment Property		1,423	21,300
Acquisition from Reclassifications		(25,035)	(76,145)
Net Cash Flow from Investing Activities		**(1,112,810)**	**(3,156,468)**
Cash Flow From Financing Activities			
Cash was provided from:			
Borrowings		3,355,054	4,068,178
Cash was applied to:			
Repayment of Borrowings		6,000,829	1,734,242
Payment of Dividends		-	-
Net Cash from Financing Activities		**(2,645,775)**	**2,333,936**
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		**(35,768)**	**(177,712)**
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the year		83,034	260,746
Cash, Cash Equivalents and Bank Overdrafts Year End		**47,266**	**83,034**

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

NOTES TO THE

DISCLOSURE FINANCIAL STATEMENTS

Statement of Accounting Policies for the Year ended 30 June 2023

Reporting Entity and General Information

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 March 2024 by the Board.

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 2000 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 ("The Regulations"), as amended in 2014.

The disclosure financial statements are for the reporting entity's Identified Airport Activities. Identified Airport Activities are defined as:

Airfield activities means the activities undertaken (including the facilities and services provided) to enable the landing and take-off of aircraft and includes:

a. The provision of any one or more of the following:
   i. airfields, runways, taxiways, and parking aprons for aircraft
   ii. facilities and services for air traffic and parking apron control
   iii. airfield and associated lighting
   iv. services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft
   v. rescue, fire, safety and environmental hazard control services
   vi. airfield supervisory and security services

b. The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

Aircraft and freight activities means the activities undertaken (including the facilities and services provided) to enable, within a security area or areas of the relevant airport, the servicing and maintenance of aircraft and the handling of freight transported, or to be transported, by aircraft and includes:

a. The provision within a security area or areas of the relevant airport, of any one or more of the following:
   ii. hangars
   iii. facilities and services for the refuelling of aircraft, flight catering and waste disposal
   iv. facilities and services for the storing of freight
   v. security, customs and quarantine services for freight

b. The holding of any facilities and assets (including land) acquired or held to provide aircraft and freight activities in the future (whether or not used for any other purpose in the meantime).

Specified passenger terminal activities (specified terminal) means the activities undertaken (including the facilities and services provided) in relation to aircraft passengers while those passengers are in a security area or areas of the relevant airport; and includes:

a. The provision, within a security area or security areas of the relevant airport of any one or more of the following:
   i. passenger seating areas, thoroughfares and airbridges
   ii. flight information and public address systems
   iii. facilities and services for the operation of customs, immigration and quarantine checks and control
   iv. facilities for the collection of duty-free items
   v. facilities and services for the operation of security and Police services

b. Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check-in of aircraft passengers, including services for baggage handling:

c. The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime).

The numbers presented in these financial statements are for the Identified Airport Activities unless it is stated "Whole Company".

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 17.

1. Analysis Of Operating Revenue

	2023 Actual	***2022 Actual***
Passenger Aeronautical Revenue	7,273,549	3,581,410
Other Aeronautical Revenue	893,805	994,149
Land and Building Rentals	772,233	679,559
Wage Subsidies & Resurgence Support Payments*	-	173,300
Other	62,838	49,404
Interest	-	-
	9,002,424	**5,477,822**

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

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

	Land	*Buildings*	*Airside Infrastructure*	*Landside Infrastructure*	*Total Infrastructure*	*Plant and Equipment*	*Furniture and Fittings*	*Computer Equipment*	*Motor Vehicles*	*Total*
Balances 1 July 2022										
Cost / Valuation	29,807,045	10,116,041	37,394,090	3,510,481	40,904,571	1,796,627	222,944	87,281	1,327,994	84,262,504
Accumulated Depreciation	-	(574,176)	(811,420)	(1,179,427)	(1,990,847)	(1,080,013)	(155,548)	(78,336)	(18,103)	(3,897,022)
Carrying Amount	**29,807,045**	**9,541,865**	**36,582,669**	**2,331,055**	**38,913,724**	**716,614**	**67,397**	**8,946**	**1,309,892**	**80,365,483**
Movements for the Year										
Opening Balance Reclassification - Cost	(112,407)	(938)	-	158,902	158,902	2,177	664	-	-	48,398
Opening Balance Reclassification - Accumulated Dep.	-	110	-	(57,171)	(57,171)	151	182	929	-	(55,800)
Reverse Prior Year Work in Progress	-	(711,306)	-	(86,178)	(86,178)	(117,647)	-	-	(620,118)	(1,535,248)
Additions & Current Year Work in Progress	-	817,915	344,972	424,095	769,067	464,180	5,030	9,208	829,802	2,895,202
Disposals - Cost / Valuation	-	-	-	(86,187)	(86,187)	(102,254)	-	(873)	-	(189,314)
Revaluation Surplus	-	(1,730,360)	-	-	-	-	-	-	-	(1,730,360)
Disposals - Accumulated Dep.	-	-	-	24,546	24,546	74,562	-	886	-	99,994
Depreciation for the Year	-	(239,338)	(1,231,167)	(97,660)	(1,328,827)	(118,391)	(12,699)	(6,227)	(49,551)	(1,755,032)
Dep. Reversal on Revaluation	-	57,502	-	-	-	-	-	-	-	57,502
Closing Balances 30 June 2023										
Cost / Valuation	29,694,639	8,491,352	37,739,061	3,921,114	41,660,175	2,043,082	228,639	95,616	1,537,678	83,751,181
Accumulated Dep.	-	(755,901)	(2,042,587)	(1,309,712)	(3,352,299)	(1,123,691)	(168,064)	(82,748)	(67,654)	(5,550,357)
Carrying Amount	**29,694,639**	**7,735,451**	**35,696,474**	**2,611,402**	**38,307,876**	**919,391**	**60,575**	**12,868**	**1,470,024**	**78,200,824**
Capital Work in Progress Included at Cost										
30-Jun-23	-	811,292	344,972	78,823	423,795	14,993	-	-	829,802	2,079,881

	Land	*Buildings*	*Airside Infrastructure*	*Landside Infrastructure*	*Total Infrastructure*	*Plant and Equipment*	*Furniture and Fittings*	*Computer Equipment*	*Motor Vehicles*	*Total*
Balances 1 July 2021										
Cost / Valuation	26,203,220	9,852,095	26,071,771	3,328,670	29,400,441	1,576,001	207,956	78,660	1,068,039	68,386,413
Accumulated Depreciation	-	(477,789)	(2,781,958)	(1,093,740)	(3,875,698)	(972,343)	(139,634)	(68,655)	-	(5,534,118)
Carrying Amount	**26,203,220**	**9,374,307**	**23,289,814**	**2,234,930**	**25,524,743**	**603,658**	**68,322**	**10,006**	**1,068,039**	**62,852,294**
Movements for the Year										
Opening Balance Reclassification - Cost	-	-	-	852	852	2,204	2,210	-	-	5,265
Opening Balance Reclassification - Accumulated Dep	-	-	-	266	266	418	131	1,399	-	2,214
Reverse Prior Year Work in Progress	-	(498,966)	(1,035)	(59,447)	(60,482)	(24,892)	-	-	(1,068,039)	(1,652,380)
Additions & Current Year Work in Progress	-	862,476	1,499,784	240,407	1,740,190	243,314	12,779	8,621	1,327,994	4,195,375
Disposals - Cost / Valuation	-	-	(22,001)	-	(22,001)	-	-	-	-	(22,001)
Revaluation Surplus	3,603,825	(99,565)	9,845,571	-	9,845,571	-	-	-	-	13,349,832
Disposals - Accumulated Dep.	-	-	22,001	-	22,001	-	-	-	-	22,001
Depreciation for the Year	-	(247,768)	(900,851)	(85,952)	(986,803)	(108,087)	(16,045)	(11,080)	(18,103)	(1,387,885)
Dep. Reversal on Revaluation	-	151,381	2,849,386	-	2,849,386	-	-	-	-	3,000,767
Closing Balances 30 June 2022										
Cost / Valuation	29,807,045	10,116,041	37,394,090	3,510,481	40,904,571	1,796,627	222,944	87,281	1,327,994	84,262,504
Accumulated Dep.	-	(574,176)	(811,420)	(1,179,427)	(1,990,847)	(1,080,013)	(155,548)	(78,336)	(18,103)	(3,897,022)
Carrying Amount	**29,807,045**	**9,541,865**	**36,582,669**	**2,331,055**	**38,913,724**	**716,614**	**67,397**	**8,946**	**1,309,892**	**80,365,483**
Capital Work in Progress Included at Cost										
30-Jun-22	-	711,306	-	86,178	86,178	117,647	-	-	620,118	1,535,248

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%

Refer to Note 21 for further details on the allocation of land.

Sensitivity analysis
Sensitivity analysis has been completed where key 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.

Refer to Note 21 for further details on the allocation of buildings.

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.

Refer to Note 21 for further details on the allocation of Airside Infrastructure.

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

Refer to Note 21 for further details on the allocation of Landside Infrastructure..

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 asset
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	603,361	581,770
Additions and Acquisitions	1,423	21,300
Depreciation	-	-
Reclassification from PPE	-	-
Reclassification from Assets Held for Sale	-	-
Reclassification to Inventory	-	(11,704)
Fair Value Gains/(Losses) on Valuation	6,839	11,994
Closing Balance	**611,624**	**603,361**

Investment Property (Whole Company) 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 (Whole Company).

Valuation methodology and significant assumptions (Whole Company)
In determining the fair value, the valuer has relied on the following methodologies and significant assumptions:

Rental income for the year was $0.2m (2022 $0.15m). There were no expenses from Investment Property generating income. There are no outstanding contractual obligations relating to Investment Property.

Investment Property	*Valuation Methodologies*	*Significant Assumptions*
Massey School of Aviation	• Cost Approach via a Replacement Cost Method (RCM) • Income Approach via a Discounted Cash Flow (DCF) • Market Approach via looking at comparable sales	• Depreciation and saleability condition of the assets • Costs to subdivide the land • Various capitalisation rates
100 Airport Drive	• Cost Approach via an RCM • Income Approach via a Capitalisation Rate Method • Market Approach via looking at comparable sales	• 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	• Hypothetical Subdivision Method	• Lot sizes as specified in the Zone B Stage 1 subdivision plan • Costs to subdivide the land
Three lots on Zone H	• One or more methods including: • Income Approach via a DCF • Market Approach via looking at comparable sales	• Costs to subdivide the land • Various capitalisation and discount rates

3. Intangible Assets

	Website	Software	Total
Balance as at 1 July 2022	15,961	22,335	38,296
Accumulated Amortisation	(2,281)	(22,300)	(24,581)
Carrying Amount	**13,680**	**35**	**13,715**
Movement for the Year			
Opening Balance Reclassification - Cost	(113)	(5,234)	(5,347)
Opening Balance Reclassification - Accumulated Amortisation	(1,265)	5,214	3,949
Reverse Prior Year Work in Progress	-	-	-
Additions and Current Year Work in Progress	-	-	-
Disposals	-	(3,500)	(3,500)
Disposal - Accumulated Amortisation	-	3,500	3,500
Amortisation for the Year	(3,388)	(15)	(3,403)
Closing Balance 30 June 2023			
Cost / Revaluation	15,848	13,602	29,449
Accumulated Amortisation	(6,933)	(13,602)	(20,534)
Carrying Amount	**8,915**	**-**	**8,915**
Capital Work in Progress Included at Cost	-	-	-
Balance as at 1 July 2021	31,079	23,161	54,241
Accumulated Amortisation	(10,615)	(22,516)	(33,131)
Carrying Amount	**20,464**	**645**	**21,109**
Movement for the Year			
Opening Balance Reclassification - Cost	586	-	586
Opening Balance Reclassification - Accumulated Amortisation	1,715	-	1,715
Reverse Prior Year Work in Progress	(15,387)	-	(15,387)
Additions and Current Year Work in Progress	15,961	-	15,961
Disposals	(16,278)	(826)	(17,104)
Disposal - Accumulated Amortisation	10,142	492	10,634
Amortisation for the Year	(3,522)	(276)	(3,798)
Closing Balance 30 June 2022			
Cost / Revaluation	15,961	22,335	38,296
Accumulated Amortisation	(2,281)	(22,300)	(24,581)
Carrying Amount	**13,680**	**35**	**13,715**
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

Movements in the provision for impairment of receivables are as follows:

	2023 Actual	2022 Actual
Debtors and Other Receivables	813,528	614,569
Receivables from Related Party	-	-
Allowance for Credit Losses	(17,289)	(7,635)
Total	**796,239**	**606,934**

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	47,266	83,034
Total	**47,266**	**83,034**

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	1,871,525	(231,627)
Tax at 28%	524,027	(64,856)
Plus (Less) Tax Effect of:		
- Permanent Differences / Non-deductible Expenditure	4,343	9,891
- Prior Year Under / (Over) Provision	-	-
- Loss on Sale of Land	-	-
- Deferred tax on revaluation & deferred tax movement for year	135,330	(42,476)
Tax Charge for the Year	**663,700**	**(97,440)**
Tax expense for the year comprising:		
Current Tax Expense	771,748	115,084
Prior Year Adjustments	-	-
Deferred Tax Expense	(108,048)	(212,524)
	663,700	**(97,440)**

6b. Deferred Tax (Assets) / Liabilities

	Investment Property	*Property, Plant and Equipment*	*Employee Entitlements*	*Other Provisions*	*Total*
Balance at 1 July 2022	**9,980**	**9,078,164**	**(43,540)**	**(2,414)**	**9,042,189**
Transfer PPE to IP	-	-	-	-	-
Charged to Surplus and Deficit - Current Year	3,109	(92,036)	(16,378)	(2,743)	(108,048)
Charged to Other Comprehensive Income	-	(468,400)	-	-	(468,400)
Balance at 30 June 2023	**13,089**	**8,517,727**	**(59,918)**	**(5,156)**	**8,465,741**
Balance at 1 July 2021	**-**	**5,717,423**	**(29,359)**	**(2,448)**	**5,685,616**
Transfer PPE to IP	67,754	(67,754)	-	-	-
Charged to Surplus and Deficit - Current Year	(57,774)	(140,602)	(14,181)	34	(212,524)
Charged to Other Comprehensive Income	-	3,569,097	-	-	3,569,097
Balance at 30 June 2022	**9,980**	**9,078,164**	**(43,540)**	**(2,414)**	**9,042,189**

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)	120,243	86,992
Annual Leave	161,976	117,858
Employee Benefit Liabilities	**282,219**	**204,849**

7a. Airfield Service

	2023 Actual	2022 Actual
Salaries and Wages	422,381	365,424
Employer Contribution to Kiwi Saver	11,208	-
Movement in Employee Entitlements	42,862	31,145
Other Rescue Fire Costs	29,626	-
External Rescue Fire Contractor	-	182,240
Total	**506,077**	**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 Actual	2022 Actual
Salaries and Wages	1,349,690	976,743
Employer Contribution to Kiwi Saver	39,559	36,956
Movement in Employee Entitlements	23,371	25,462
Total	**1,412,619**	**1,039,161**

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 Actual	2022 Actual
Operating Commitments as Lessee		
Less than 1 Year	104,281	39,284
Between 1 and 5 Years	138,050	35,254
Over 5 Years	-	-
Total	**242,331**	**74,538**
Operating Commitments as Lessor		
Less than 1 Year	701,733	620,139
Between 1 and 5 Years	1,860,503	1,532,207
Over 5 Years	1,555,202	1,358,915
Total	**4,117,437**	**3,511,261**
On-going leases per month	**67,180**	**59,997**

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 2022 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 $55 per annum that are on a month to month basis (2022: $624). There are no contingent rents recognised as revenue in the period.

Capital Commitments (Whole Company)

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 Actual	2022 Actual
Interest on Secured Long Term Loans	443,283	402,250
	443,283	**402,250**

10. Borrowings

	2023 Actual	2022 Actual
Current Borrowings	2,285,777	8,292,164
Non-Current Borrowings	6,538,555	3,177,944
Total Borrowings	**8,824,333**	**11,470,107**

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 $8.82m borrowings (2022: $11.47m) 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 (Whole Company) 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 $4.1m (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 Actual	2022 Actual
Rates	385,472	381,902
Power and Insurance	389,874	338,752
Repairs and Maintenance	1,089,308	683,149
Total	**1,864,655**	**1,403,802**

12. Audit Fees

	2023 Actual	2022 Actual
Fees for Audit of Financial Statements	56,246	39,294
Fees for Audit of Disclosure Accounts	30,000	-
Total	**86,246**	**39,294**

13. Equity

(a) Share Capital

	2023 Actual	2022 Actual
9,195,000 Ordinary Share Capital	6,748,106	6,748,106
Closing Balance	**6,748,106**	**6,748,106**

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 Actual	2022 Actual
Opening Balance	**7,620,911**	**7,599,443**
Net Operating Surplus	1,207,825	(134,187)
Dividends Paid During Year	-	-
Transfer from Asset Revaluation Reserve for Sale of Assets	107,307	155,655
Closing Balance	**8,936,043**	**7,620,911**

(c) Dividends

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

(d) Asset Revaluation Reserve

	2023 Actual	***2022 Actual***
Opening Balance	**46,432,432**	**33,720,660**
- Opening Balance Reclassification to/from Non-Aero	16,235	85,924
Revaluation Movement		
- Land	-	3,603,825
- Buildings	(1,672,858)	51,816
- Airside Infrastructure	-	12,694,958
	(1,672,858)	**16,350,599**
Less Deferred Taxation		
- Movement - Land	-	-
- Movement - Buildings	468,400	(14,509)
- Movement - Airside Infrastructure	-	(3,554,588)
- Transfer to Retained Earnings for Sale of Assets	(107,307)	(155,655)
Closing Balance	**45,136,903**	**46,432,432**
Asset Revaluation Reserve Consists of		
- Land	22,670,282	22,763,395
- Buildings	503,011	1,705,427
- Airside Infrastructure	21,963,610	21,963,610
	45,136,903	**46,432,432**

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.

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 Actual	***2022 Actual***
Revenue in Advance from Exchange Transactions	49,863	22,181
Revenue in Advance from Non-Exchange Transactions	-	-
Total	**49,863**	**22,181**
Trade Accounts Payable from Exchange Transactions		
Trade Accounts Payable	342,147	452,111
Payables to Related Party	2,970	-
Trade Accounts Payable from Non-Exchange Transactions		
Income Tax Payable	253,857	(78,284)
Total	**598,974**	**373,826**
Other Creditors from Exchange Transactions		
Other Creditors	581,972	158,992
Other Creditors from Non-Exchange Transactions		
GST (Refundable) / Payable	82,315	(91,845)
Total	**664,287**	**67,148**

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. 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..

	Measurement classification		30 June 2022	1 July 2022	Adoption
Financial Assets	***PBE IPSAS 29***	***PBE IPSAS 41***	***PBE IPSAS 29***	***PBE IPSAS 41***	***adjustment***
Cash and Cash Equivalents	Loans and receivables	Amortised cost	83,034	83,034	-
Trade Receivables	Loans and receivables	Amortised cost	606,934	606,934	-

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 Actual***	***2022 Actual***
Cash and Cash Equivalents	AA-	47,266	83,034
Trade Receivables		796,239	606,934
Total Financial Assets at Amortised Cost		**843,505**	**689,968**

*Standard & Poor's Rating for BNZ

Financial Liabilities *- Amortised Cost*	***2023 Actual***	***2022 Actual***
Trade Accounts and Other Payable	1,263,261	440,974
Bank Overdraft	-	-
Borrowings - Secured Loans	8,824,333	11,470,107
Total Financial Liabilities at Amortised Cost	**10,087,593**	**11,911,081**

18. Events After Balance Date

There have been no significant events occurring after Balance Date.

19. 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.

IDENTIFIED AIRPORT ACTIVITES REPORTING

20. Segment Information

The preparation of the disclosure financial statements requires the identification and presentation of aeronautical activities, as presented above. In addition to this the Company is required to present segmented information for Identified Airport Activities. These activities are defined in the Airport Authorities Act 1966 (and subsequent amendments). The Identified Airport Activities are as follows:

i. Airfield activities:

ii. Aircraft and freight activities:

iii. Specified passenger terminal activities

Management have assessed the aeronautical activities of the Company against these definitions and allocated them as appropriate.

The Company is located in one geographic segment in Palmerston North, New Zealand, and operates in the airport industry. The Company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

For the Year Ended 30 June 2023

Revenue	***Note***	***Aircraft and Freight Activities***	***Airfield Activities***	***Specified Terminal***	**Total**
Aeronautical Charges		-	6,178,729	1,988,625	**8,167,354**
Rental income		396,925	250,491	124,816	**772,233**
Wage Subsidies & Resurgence Support Payments		-	-	-	**-**
Other		34,079	21,332	7,426	**62,838**
Interest		-	-	-	**-**
Revaluation (Gain)/Loss - Investment Properties	*2a*	6,839	-	-	**6,839**
Total Revenue	***1***	**437,844**	**6,450,552**	**2,120,867**	**9,009,263**
Expenses					
Airfield Services		21,738	473,470	10,869	**506,077**
Rates		36,842	346,870	1,760	**385,472**
Power and Insurance		14,850	261,260	113,764	**389,874**
Repairs and Maintenance		25,486	744,072	319,750	**1,089,308**
Audit Fees	*12*	4,869	69,490	11,887	**86,246**
Bad Debts Written Off		-	105	-	**105**
Expected Credit Loss Allowance for Receivables		17,289	(7,635)	-	**9,654**
Directors' Fees		6,144	85,908	8,627	**100,679**
Salaries and Wages	*7a*	128,004	965,262	256,424	**1,349,690**
Employer Contribution to Kiwi Saver		3,778	28,207	7,574	**39,559**
Movement in Employee Entitlements		2,232	16,664	4,474	**23,371**
General Administration		61,097	634,703	171,835	**867,636**
Finance Costs	*9*	27,052	378,249	37,982	**443,283**
Depreciation		33,757	1,426,063	295,096	**1,754,916**
Amortisation of intangible assets		172	1,746	1,604	**3,521**
Loss/(Gain) on Sale of Assets		47,497	11,515	29,335	**88,347**
Total Expenses		**430,808**	**5,435,949**	**1,270,980**	**7,137,737**
Segment Profit Before Tax		**7,036**	**1,014,603**	**849,887**	**1,871,526**
Taxation Expense on Operating Surplus	*6a*	2,495	359,809	301,396	**663,700**
Profit after Tax		**4,541**	**654,794**	**548,491**	**1,207,826**
Additions of property, plant & equipment included in segment assets (excluding WIP)		54,709	245,288	516,279	**816,276**
Average number of full time staff equivalents		1.0	11.9	2.5	**15.4**

For the Year Ended 30 June 2022

Revenue	***Note***	***Aircraft and Freight Activities***	***Airfield Activities***	***Specified Terminal***	**Total**
Aeronautical Charges		-	3,583,882	991,677	**4,575,559**
Rental income		366,538	190,758	122,263	**679,559**
Wage Subsidies & Resurgence Support Payments		10,667	122,080	40,553	**173,300**
Other		34,987	5,707	8,710	**49,404**
Interest		-	-	-	**-**
Revaluation (Gain)/Loss - Investment Properties	*2a*	11,994	-	-	**11,994**
Total Revenue	***1***	**424,186**	**3,902,427**	**1,163,203**	**5,489,816**
Expenses					
Airfield Services		-	578,809	-	**578,809**
Rates		36,641	343,683	1,578	**381,902**
Power and Insurance		11,824	208,160	118,768	**338,752**
Repairs and Maintenance		20,448	412,032	250,668	**683,149**
Audit Fees	*12*	2,366	32,988	3,940	**39,294**
Bad Debts Written Off		-	15	-	**15**
Expected Credit Loss Allowance for Receivables		-	-	-	**-**
Directors' Fees		5,085	70,884	8,465	**84,434**
Salaries and Wages	*7a*	86,639	645,659	244,445	**976,743**
Employer Contribution to Kiwi Saver		2,537	26,786	7,634	**36,956**
Movement in Employee Entitlements		1,748	18,455	5,259	**25,462**
General Administration		39,347	609,448	126,726	**775,522**
Finance Costs	*9*	24,223	337,698	40,329	**402,250**
Depreciation		37,528	1,053,662	296,974	**1,388,165**
Amortisation of intangible assets		172	1,746	1,604	**3,521**
Loss/(Gain) on Sale of Assets		398	5,688	385	**6,470**
Total Expenses		**268,956**	**4,345,712**	**1,106,774**	**5,721,443**
Segment Profit Before Tax		**155,230**	**(443,286)**	**56,429**	**(231,627)**
Taxation Expense on Operating Surplus	*6a*	65,302	(186,480)	23,738	**(97,440)**
Profit after Tax		**89,928**	**(256,806)**	**32,690**	**(134,187)**
Additions of property, plant & equipment included in segment assets (excluding WIP)		13,433	2,441,382	210,618	**2,665,433**
Average number of full time staff equivalents		0.7	9.5	3.1	**13.3**

Comparison to Amounts Disclosed in Audited Annual Report *For the Year Ended 30 June 2023*	***Disclosure Accounts $000's***	***Annual Report $000's***
Statement of Comprehensive Revenue and Expense		
Total Revenue	9,009	12,585
Profit After Tax	1,208	2,950
Total Comprehensive Income	3	1,348
Statement of Financial Position		
Total Assets	79,706	106,910
Total Liabilities	18,885	22,572

Comparison to Amounts Disclosed in Audited Annual Report *For the Year Ended 30 June 2022*	***Disclosure Accounts $000's***	***Annual Report $000's***
Statement of Comprehensive Revenue and Expense		
Total Revenue	5,490	9,485
Profit After Tax	(134)	1,380
Total Comprehensive Income	12,647	14,725
Statement of Financial Position		
Total Assets	81,982	109,126
Total Liabilities	21,180	26,136

21. Allocation Methodology Used In The Preparation Of These Statements

a. Revenue categories

Revenue falls into one of the following categories:

i. Aeronautical charges
Aeronautical revenues consist of charges for the movement of aircraft and passengers and aircraft parking. Aeronautical charges are allocated between Airfield activities and Specified Terminal in accordance with agreed Aeronautical pricing models and the nature of the aircraft (e.g. passenger aircraft vs general aviation).

ii. Land and Building Rentals
Includes a mix of ground leases and building leases located both airside and landside. This revenue category contributes to all categories within the Identified Airport Activities requiring every lease to be individually assessed and allocated based on location and use.

iii. Other income
A minor category primarily relating to rates and utilities on-charges for the land and building rentals outlined above.

b. Expenditure categories and allocation

i. Operations, maintenance and administration expenditure
Direct operating costs, that have been incurred solely for Identified Airport Activities (IAA) are allocated within the sub-categories accordingly.

Expenditure that relates to both IAA and non-IAA activities, or over different activities within the IAA categories, are analysed on a case by case basis and allocated accordingly.

Operating expenditure relating directly to an asset, including a property or building, is allocated as per the underlying asset.

Costs of a Corporate nature, such as generation of the Annual Report, are appropriately allocated over all assets, including those not related to *Identified Airport Activities*.

Staff costs are individually allocated over their respective areas of responsibility according to individual analysis of each position.

ii. Non-operating income and expenditure
Depreciation, amortisation, gains/losses on disposal and investment property revaluation gains/losses are allocated as per the underlying asset to which they relate.

Small value debt write-offs are individually analysed to ascertain their correct respective allocations.

Income Tax has been recalculated on the profit from IAA activities, allowing for differences in treatment of transactions between accounting and tax profit.
Finance costs have been allocated over all assets, including those not related to I*dentified Airport Activities.*

c. Allocation of assets
Receivables and other current assets, other than cash, are individually analysed, to transaction line level, to ascertain the correct allocation. Individual fixed assets, as opposed to asset classes, are individually analysed to ascertain correct allocation. As well as being allocated between the *Identified Airport Activities* sub-categories some assets also have an appropriate portion excluded, being allocated to *Non-Identified Airport Activities*.

The Company maintains a detailed property, plant and equipment register. Each asset has been either coded directly to an Identified Airport Activity, a non-Identified Airport Activity or allocated using a specific rule. Material asset classes and apportionment approaches include:

- Airport land has been divided into the appropriate categories based on the square metres occupied by its current use. Land held for future airport development has been allocated based on its intended future use.
- Terminal property, plant and equipment have been apportioned based on an area analysis of terminal use.
- Roads have been allocated based on the proportion of revenue derived from Identified and Non-Identified Airport Activities.
- Common/Corporate assets are allocated to Identified and Non-Identified Airport Activities based on the allocation proportions of all other assets.

d. Allocation of debt

As with the current assets, current liabilities are individually analysed, to transaction line level, to ascertain the correct allocation.

Liabilities related to individual staff are allocated as per the allocation of the respective staff members in the Income Statement.

Income Tax Paid has also been apportioned on an approximate ratio between *Identified* and *Non-Identified Airport Activities,* with the difference between the calculated Income Tax Payable and the tax paid showing as Income Tax Payable on the Statement of Financial position.

An assessment is done on GST balances to allocate the tax payable or receivable on the same basis as the underlying transactions to which they relate.

Deferred Taxation has been recalculated on the various transactions (accruals, fixed assets) designated to be *Identified Airport Activities*.

Borrowings are the balancing figure in the Statement of Financial Position and is therefore impacted by the profitability of each specified activity.

e. Allocation of equity

The equity position of the *Identified Airport Activities* is allocated with reference to the following for those activities:

i. The opening level of equity.

ii. Adjustments for movements due to net profit less dividends.

iii. Adjustments for any movements in reserves due to the revaluation of assets.

iv. Adjustments for any capital issued or repaid.

v. Adjustments for the reclassification of assets between aeronautical and non- aeronautical areas.

22. Weighted Average Cost Of Capital

a. WACC estimation

A significant element of required revenue is the return on capital. This is estimated as the weighted average cost of capital (WACC). PNAL's approach to estimating the WACC and the resulting estimates is based on the airport's opportunity cost of funds and takes account of the costs of the provision of capital.

PNAL's applied a post-tax WACC model consistent with the Commerce Commission's approach for the information disclosure regime applicable to the major airports, adjusted as appropriate for PNAL's business characteristics. The key elements of PNAL's post-tax WACC calculations are:

- the required return on equity,
- the weights of debt and equity used in the capital structure,
- the after-tax required return on debt.

Under the agreed and finalised 2020 aeronautical pricing review process, a three-yearly comprehensive review for aeronautical charges for base aeronautical assets was adopted, and an annual review of development assets involving a review of the WACC, passenger numbers, aircraft movements and landed MTOW tonnage plus any additional capex.

PNAL estimated its WACC for identified airport activities as at 1 July 2022. The following table summarises the key parameters applied by PNAL to estimate its post-tax WACC at 1 July 2022.

	FY23 Base Aeronautical Asset Parameter	***FY23 Development Asset Parameter***
Risk free rate	3.30%	3.50%
Market risk premium	7.00%	7.00%
Tax rate	28.00%	28.00%
Debt / (Debt + Equity)	20.00%	20.00%
Implied debt premium	1.49%	1.69%
Asset beta	0.50	0.50
Cost of Debt	4.79%	5.19%
Post tax cost of Equity	6.75%	6.90%
Weighted Average Cost of Capital	**6.09%**	**6.26%**

PNAL revises its WACC periodically to coincide with its aeronautical pricing consultation processes.

PNAL uses a generally-accepted approach to the calculation of the WACC. This represents the weighted average costs of equity (adopting the simplified version of the Brennan-Lally CAPM) plus the cost of debt, net of corporate tax deductions, as follows:

WACC = rD x (1 – TC) x (D/V) + rE x (E/V)
Where:
rD = The Company's pre-tax cost of debt.
TC = The corporate tax rate.
D = The value of the Company's debt.
rE=The Company's post –tax cost of equity.
E=The value of the Company's equity.
V = The Company's total enterprise value, i.e. (V = E + D).

23. Methodology Used to Determine Airport Charges

Airport charges applying for the disclosure period in respect of Airfield and Specified Terminal activities associated with Regular Air Transport (RPT) operations were set as at 1 November 2020 to apply from 1 July 2020 to 30 June 2023.

The Final Pricing Determination dated 22 December 2020 setting the RPT charges reflected the following key attributes:

- A building block approach was used to calculate charges for base aeronautical assets. The approach and assumptions were developed and refined in consultation with PNAL's substantial customers in accordance with Section 4B of the Airport Authorities Act 1966.
- A long run marginal cost (LRMC) approach was used to calculate charges for development assets.
- The approaches derive breakeven aeronautical charges for identified airfield and terminal charges based on PNAL's weighted average cost of capital (WACC) and assumptions regarding passenger and aircraft movements, the value of the assets employed in the activities, the assets' economic lives, and operating costs.
- Base aeronautical charges fund identified airport activities existing on 1 July 2020 with the exception of the development assets or other specific activities relating to general aviation and freight that are funded by their own charges.
- Substantial capital expenditure that may occur during the pricing reset period is funded by new development asset charges based on the approaches set out in PNAL's pricing proposals during the 2020 price reset.
- Both base aeronautical and development assets charges are reset annually. The annual pricing resets are limited to adjusting aeronautical charges to reflect differences

Landing charges for general aviation and the freighter were set to balance funding for general aviation and the facilities used by freight aircraft.

24. Schedule Of Airport Charges

a. Regular air transport operations

A flight forming part of a series of flights performed by aircraft for the transport of passengers, cargo or mail between the Airport and one or more points in New Zealand, where the flights are so regular and frequent as to constitute a systematic service, whether or not in accordance with a published timetable, and which are operated in such a manner that each flight is open to use by members of the public.

b. Maximum certified take-off weight (MCTOW)

For an aircraft the lower of its maximum certified take-off weight as specified by the manufacturer (or as approved by the Civil Aviation Authority) and the maximum authorised operating weight as specified by the company.

c. Landing charge - general aviation and passenger operations

The airport landing charge for aircraft with a MCTOW of less than 2,000 kgs is $10.50 per arrival

The airport landing charge for an aircraft with a MCTOW from 2,000 kgs, has two components; a MCTOW weight charge and a Seat Capacity / Persons on Board (POB) charge. The MCTOW weight charge applies to each landing. The Seat Capacity / Persons on Board (POB) charge applies to both arriving and departing passengers.

The scale of charges is set out in the following table (applicable to 2022 and 2023):

Aircraft MCTOW (kg)	***Base Charge / MCTOW Weight Charge per arrival***	***Seat Capacity / POB charge per movement***
Up to 1,999 kg	$7.54	-
2,000 kg to 5,999 kg	$0.01230/kg	$3.90
6,000 kg to 40,000 kg	$0.02291/kg	$3.90
40,000 kg and above	$0.02291/kg	$3.90

d. Landing charge – freighter operations

The airport landing charge for all freighter aircraft comprises of a MCTOW weight charge only The scale of charges is set out in the following table:

Aircraft MCTOW (kg)	***MCTOW Weight Charge per arrival***
Up to 5,999 kg	$0.01278/kg
6,000 kg to 40,000 kg	$0.02339/kg
40,000 kg and above	$0.02339/kg

e. Aircraft parking charges

For each general aviation aircraft parked in a designated aircraft parking area for a period in excess of two hours, an aircraft parking charge based on the aircraft MCTOW is payable per calendar day or part thereof as set out in the table below.

Aircraft MCTOW (kg)	***Year to 30 June 2023 Charge (excl GST)***	***Year to 30 June 2022 Charge (excl GST)***
0 – 5,999	$15.00	$15.00
6,000 – 9,999	$30.00	$30.00
10,000 – 19,999	$60.00	$60.00
20,000 – 29,999	$150.00	$150.00
30,000 and greater	$250.00	$250.00

For the purpose of aircraft parking charges, "designated aircraft parking area" means an aircraft parking area owned or leased by the Company other than an aircraft parking area which is subject to a lease or license granted by the Company.

25. Landing Statistics

The aircraft landing statistics, as required by the Airport Authorities Amendment Act 1997, are based on aircraft arrivals.

a. Scheduled domestic services

Aircraft MCTOW (kg)	*Aircraft Type*	*Year to 30 June 2023*	*Year to 30 June 2022*
0 to 20,000	PC12	-	1
	JS32	636	521
	DH8C	249	63
	C208	-	2
20,000 - 26,000	ATR72	4,286	3,051
>71,000	A320	4	20

b. Other landings

Aircraft MCTOW (kg)	*Year to 30 June 2023*	*Year to 30 June 2022*
All weights	5,208	5,469

c. Passengers

Class of Passenger	*Year to 30 June 2023*	*Year to 30 June 2022*
Passengers arriving and departing on scheduled domestic flights	534,651	323,615

d. Interruptions to Services

Interruption to services, as required by the Airport Authorities (Airport Companies Information Disclosure) regulations 1999, is set out below.

e. Planned disruptions

	Year to 30 June 2023	*Year to 30 June 2022*
Runway Services		
Number of Events	-	-
Total Duration (to nearest 15 minutes)	-	-
Stand Position Services		
Number of Events	-	-
Total Duration (to nearest 15 minutes)	-	-
Baggage Handling Services		
Number of Events	-	-
Total Duration (to nearest 15 minutes)	-	-

f. Un-planned disruptions

	Year to 30 June 2023	*Year to 30 June 2022*
Runway Services		
Number of Events	-	-
Total Duration (to nearest 15 minutes)	-	-
Stand Position Services		
Number of Events	-	-
Total Duration (to nearest 15 minutes)	-	-
Baggage Handling Services		
Number of Events	-	-
Total Duration (to nearest 15 minutes)	-	-

26. Statutory Deadline For Completing And Auditing Of Disclosure Financial Statements

The statutory deadline for completion and auditing of the Disclosure Financial Statements is advised in the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. The regulations state that the statements must be completed and audited within five months of the Company's balance date, in the case of Palmerston North Airport Limited this is by 30 November each year. The above Disclosure Financial Statements for Palmerston North Airport Limited are for the year to 30th June 2023. Completion of the accounts was undertaken within the statutory timeframe, however the auditing was not completed until February 2024, due to auditor resourcing limitations.

INDEPENDENT ASSURANCE REPORT

To the Directors of Palmerston North Airport Limited.

Report on Palmerston North Airport Limited's disclosure financial statements
for the year ended 30 June 2023

Audit New Zealand
Mana Arotake Aotearoa

INDEPENDENT ASSURANCE REPORT

To the Directors of Palmerston North Airport Limited.

Report on Palmerston North Airport Limited's disclosure financial statements.
for the year ended 30 June 2023

The Auditor-General is the auditor of Palmerston North Airport Limited (the company). The company is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) to prepare disclosure financial statements for the company's identified airport activities.

The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to provide a conclusion, in accordance with the Regulations, on the company's disclosure financial statements. The disclosure financial statements comprise:

- financial statements only for the identified airport activities, and not for the other activities of the company, prepared in accordance with generally accepted accounting practice; and
- additional information as specified in section 9 and schedule 2 of the Regulations.

Unqualified conclusion

It is our conclusion that the disclosure financial statements on pages 8 to 33 are fairly reflected, in all material respects with the Regulations, and comply, in all material respects, with generally accepted accounting practice in New Zealand.

Our work was completed on 28 March 2024. This is the date at which our conclusion is expressed.

The limitations and use of this report is explained below. In addition, we explain the responsibilities of the Board of Directors (the Board) and our responsibilities and explain our independence.

Limitations and use of this report

This independent assurance report has been prepared solely for the Directors of the company in accordance with our responsibilities under the Regulations. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of the company, or for any purpose other than that for which it was prepared.

The Regulations require the disclosure financial statements to include financial statements only for the company's identified airport activities, which are part of the annual financial statements that we have previously audited. Other than as expressly stated below, we have not carried out any additional procedures on the financial statements for the company's identified airport activities since signing our audit report on the company's annual financial statements on 28 September 2023, which contained an unmodified opinion. Explanation of the scope of our audit engagement on the company's annual financial statements and performance information is contained in that audit report.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance might occur and not be detected.

Responsibilities of the Board of Directors

The Board is responsible for preparing disclosure financial statements that comply with the guidelines issued under the Regulations, and subject to the Regulations, comply with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of disclosure financial statements that are free from material misstatement, whether due to fraud or error.

The Board is also responsible for the publication of the disclosure financial statements, whether in printed or electronic form.

Our responsibilities

We are responsible for expressing an independent conclusion on the disclosure financial statements and reporting that conclusion to you based on our work. Our responsibility arises from the Regulations and from the Public Audit Act 2001.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information which has been issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website.

Our work has been carried out to obtain reasonable assurance about whether the disclosure financial statements are free from material misstatement, and have been prepared in accordance with the Regulations, in all material respects. Material non-compliance with the Regulations relates to differences or omissions of amounts and disclosures that would affect an overall understanding of the disclosure financial statements. If we had found material non-compliance that was not corrected, we would have referred to the non-compliance in our conclusion.

The Regulations require the disclosure financial statements to include financial statements for the company's identified airport activities, which are only part of the annual financial statements that we have previously audited.

The financial statements for the company's identified airport activities included in the disclosure financial statements have been extracted from the underlying accounting records of the company, and our work on them was limited to:

- Obtaining an understanding of how the company has met the requirements of the Regulations to determine its identified airport activities.
- Obtaining an understanding of how the company has determined its allocation methodology which has been used to allocate shared expenditure, assets, debt and equity balances.
- Evaluating how the allocation methodology has been applied by testing the allocation of shared expenditure, assets, debt and equity balances.

- Agreeing the amounts and disclosures in the disclosure financial statements to the company's underlying records, and to the company's audited annual financial statements, where appropriate.

We also performed procedures to obtain evidence about the amounts and disclosures in the additional information included in the disclosure financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the additional information, whether due to fraud or error or non-compliance with the Regulations. In making those risk assessments, we considered internal control relevant to the company's preparation of the additional information in order to design 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 did not examine every transaction, nor do we guarantee complete accuracy of the disclosure financial statements. Also, we did not evaluate the security and controls over the electronic publication of the disclosure financial statements.

Independence and quality control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement carried out under the Regulations, and our audit of the company's annual financial statements and performance information, we have no relationship with or interests in the company.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Debbie Perera
Audit New Zealand

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

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