



PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT

TO 31 DECEMBER 2023

COMPANY DIRECTORY

Palmerston North Airport Limited

DIRECTORS:

M Georgel – Chair
S Mitchell-Jenkins
C Cardwell
S Laurence
S Everton

MANAGEMENT:

D Lanham	Chief Executive
M Lash	Chief Commercial Officer
J Baker	Chief Financial Officer
A Fechney	Safety and Operations Manager
M Dahlan	Capital Projects & Asset Manager
B Lawry	Terminal and Facilities Manager
T Cooney	Airfield Operations Manager

REGISTERED OFFICE:

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Terminal Building
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TRADING BANKERS:

Bank of New Zealand

LEGAL ADVISORS:

CR Law

AUDITORS:

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

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JOINT REPORT OF THE CHAIR & CHIEF EXECUTIVE FOR THE SIX MONTHS ENDING 31 DECEMBER 2023

A steady rebound in passenger volumes drove an overall positive first half performance with a total of 283,914 passenger movements recorded, 3.8% below SOI and 2.9% ahead of the same period last year. Income to 31 December 2023 was 11% ahead of budget at \$7.98 million due to a strong aeronautical income result.

An ongoing focus on cost containment resulted in total expenditure, excluding runway maintenance costs, 5% below budget at \$3.6 million. Planned runway maintenance remains weather dependent and is now programmed to occur in February 24 and is anticipated to be on budget.

Terminal Redevelopment plans continued to progress with Preliminary Design approved in December 2023, while the main contractor selection process was concluding at half year. The completion of Stage 1 of Pickup & Dropoff shelters within the General Carpark was a terrific milestone during the period along with achieving Level 4 accreditation from the Airport Council International for our ongoing efforts to reduce scope 1, 2 and 3 carbon emissions. Palmerston North Airport becomes only the third airport in New Zealand to achieve Level 4 accreditation and only one of 23 airports globally.

A normalised half year net profit before tax of \$2.28 million was 133% ahead of budget, after adjusting for the deferred runway maintenance activity (now scheduled to occur in February 2024). Aeronautical income was the primary driver of the positive income result the consequence of the commencement of a recovery from airlines relating to the upcoming write-off of the existing terminal asset upon demolition. Cost savings were spread across operations, marketing and administration cost centres.

	Actual	SOI
Half-Year Net Profit Before Tax	\$2.98m	\$0.98m
Less: Deferred Runway Maintenance	\$0.70m	\$-
Normalised Half-Year Net Profit Before Tax	\$2.28m	\$0.98m

Notwithstanding the first half performance we anticipate a subdued second half driven off reduced leisure demand due to domestic airfares remaining elevated, a consequence of forced capacity reductions by Air New Zealand's given the Pratt & Whitney engine issues affecting the A320/A321 NEO fleet with flow on consequences for regional routes.

On this basis full year passenger movements are projected to be 551,000, 5% below the SOI budget of 581,100 passenger movements, although 3% ahead of the prior year 534,651 passenger movements.

Notwithstanding suppressed passenger demand the Company is optimistic of delivering income of \$15.5 million for the full year, 9% above the SOI. A major contributor of this relates to aeronautical income¹. Total year-end expenditure is forecasted at \$8.15 million, 2% below the SOI.

At the time of reporting the half year result, uncertainty around the treatment and timing of Airport Drive vesting and the write down of the existing terminal building, on financial performance remains. Based on assumed treatment, a \$2.1 million expense has been forecast in

¹ FY24 aeronautical income includes a partial recovery of the upcoming write-off of the existing terminal (scheduled to occur in FY25/FY26).

FY24 relating to the write-off of the existing roading asset upon vesting. Further related one-off expenses are anticipated to incur in FY25 and FY26 relating to the write-down of the existing terminal and associated demolition costs.

On this basis the Company is forecasting a Net Profit After Tax for FY24 of \$1.63 million, and a positive EBITDA result of \$7.35 million.

A total capex spend in excess of \$38 million is programmed for FY25, with the Terminal Development the primary driver along with airfreight & logistics related commercial developments. Cost control and cash preservation therefore remains critical.

Based on the projected FY24 result, in line with the Shareholder's expectation a dividend of 10% of NPAT (excluding fair value gains and one-off capital gains) totalling \$163,403 is anticipated to be paid (during FY25).



Murray Georgel
Chair



David Lanham
Chief Executive

STATEMENT OF SERVICE PERFORMANCE

The Company's Statement of Intent is dated 25 May 2023.

The Company is trading as Palmerston North Airport Limited.

Palmerston North Airport Limited has been maintained as an airport certificated pursuant to Civil Aviation Rule Part 139 and has achieved satisfactory audits during the period.

All obligations under the Resource Management Act and the District Plans of the Palmerston North City Council and Manawatu District Council have been met.

Performance Measures:

PERFORMANCE METRICS	Dec 2023 6 Months	Dec 2022 6 Months	SOI Target 6 Months
I A ratio of surplus before interest/tax/depreciation to total assets	4.0%	3.1%	2.2%
II A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	2.5%	2.0%	1.1%
III To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	79.7%	77.0%	72.5%
IV To maintain an interest coverage ratio of EBITDA to interest of at least 2.5	15.6	11.0	7.0
V To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$80m	\$86.5m	\$84.7m	\$86.9m
VI Maintain a Net Promoter score of 45 or above	43	45	45
VII Total passenger movements	283,914	275,896	294,942
VIII Zero lost time injuries	Zero	Zero	Zero
IX Maintain CAA Part 139 certification	Maintain	Maintain	Maintain
X Net Debt* / EBITDA less than 4.5 (long term target)	2.4	3.6	6.9
XI Funds from Operations (FFO**) / Net Debt greater than 11% (long term target)	31%	20%	13%

*Net Debt equals total borrowings less cash on hand

**FFO equals EBITDA less interest less tax

STATEMENT OF FINANCIAL PERFORMANCE

For the Six Months Ended 31 December 2023

	Note	31 Dec 23 6 Months Unaudited	31-Dec-22 6 Months Unaudited	30-Jun-24 12 Months SOI	30-Jun-23 12 Months Audited
REVENUE	4	7,983,503	6,414,957	14,188,600	12,585,130
OPERATING EXPENSES					
Airfield Services		323,205	265,425	622,692	516,945
Other Operating Expenses	5	1,111,783	1,048,012	3,704,210	2,404,768
TOTAL OPERATIONS AND MAINTENANCE		1,434,988	1,313,437	4,326,902	2,921,713
ADMINISTRATION EXPENSES:					
Audit Fees		58,530	27,287	120,000	105,421
Bad Debts Written Off		19,830	-	-	105
Changes in doubtful debt provision		(17,289)	(7,635)	5,000	9,654
Directors' Fees		69,257	67,500	135,000	135,000
Employee Expenses	6	1,137,723	976,245	2,166,888	1,906,128
Administration		819,974	622,952	1,353,225	1,279,282
Marketing		77,578	39,464	219,996	124,963
Cost of Goods Sold					
TOTAL ADMINISTRATION:		2,165,603	1,725,813	4,000,109	3,560,550
TOTAL OPERATING EXPENSES		3,600,591	3,039,250	8,327,011	6,482,263
Extraordinary Items	17	37,942	-	50,000	-
Operating Surplus before interest, depreciation & taxation (EBITDA)		4,344,970	3,375,707	5,811,588	6,102,867
FINANCE COSTS AND DEPRECIATION:					
Finance costs		279,031	307,167	1,104,142	594,399
Depreciation & Amortisation	14	1,082,112	1,078,145	2,021,718	2,173,143
Gain on Sale of Assets		(313)	(327,502)	-	(261,348)
TOTAL FINANCE COSTS & DEPRECIATION:		1,360,830	1,057,810	3,125,860	2,506,194
Revaluation Gain - Investment Properties		-	-	-	-
Operating Surplus before taxation		2,984,140	2,317,897	2,685,736	4,012,414
Taxation Expense on operating surplus	8	835,560	649,011	752,006	1,061,993
NET SURPLUS AFTER TAXATION		2,148,580	1,668,886	1,933,730	2,950,421

For and on behalf of the Board


Murray Georgel - Chair
Date: 22/02/2024


Shelly Mitchell-Jenkins - Director
Date: 22/02/2024

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

These financial statements are unaudited.

STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 31 December 2023

	Note	31 Dec 23 6 Months Unaudited	31-Dec-22 6 Months Unaudited	30-Jun-24 12 Months SOI	30-Jun-23 12 Months Audited
NET SURPLUS AFTER TAXATION		2,148,580	1,668,886	1,933,730	2,950,421
Gains on revaluation of land and buildings		-	-	-	(2,225,500)
Movement in deferred tax		-	-	-	623,140
Comprehensive income attributed to the shareholder		2,148,580	1,668,886	1,933,730	1,348,061

STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 31 December 2023

	Note	31 Dec 23 6 Months Unaudited	31-Dec-22 6 Months Unaudited	30-Jun-24 12 Months SOI	30-Jun-23 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR		84,338,404	82,990,345	85,920,463	82,990,345
Total Comprehensive Revenue and Expense for the Period		2,148,580	1,668,886	1,933,729	1,348,061
Transfer out of Asset Revaluation Reserve for Sale of Assets		-	-	-	(118,727)
Transfer into Retained Earnings for Sale of Assets		-	-	-	118,727
Movement in Asset Revaluation Reserve		-	-	-	-
Distribution to shareholders during the year		-	-	(193,373) *	-
EQUITY AT THE END OF THE YEAR		86,486,985	84,659,231	87,660,818	84,338,404

*Declared dividends are paid in the following financial year

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	31 Dec 23 Unaudited	31-Dec-22 Unaudited	30-Jun-24 SOI	30-Jun-23 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	9	410,345	1,325,174	52,539	63,379
Trade accounts receivable	10	1,213,242	1,194,621	1,294,197	841,970
Sundry receivables and prepayments		470,783	448,345	610,702	201,364
TOTAL CURRENT ASSETS		2,094,370	2,968,140	1,957,438	1,106,713
Less: CURRENT LIABILITIES					
Income in advance		223,667	191,969	172,534	62,371
Trade accounts payable	11	435,356	236,386	2,821,061	604,857
Other creditors		758,573	692,998	49,866	1,158,826
Employee benefit liabilities	12	361,029	389,765	294,966	358,584
Short term borrowings		-	5,721,700	-	3,065,000
Tax payable		288,044	406,426	524,728	371,506
TOTAL CURRENT LIABILITIES		2,066,669	7,639,244	3,863,155	5,621,144
WORKING CAPITAL		27,701	(4,671,104)	(1,905,717)	(4,514,431)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment	14	91,009,891	92,071,641	113,941,927	90,403,442
Investment Property		15,400,000	14,900,000	14,900,000	15,400,000
TOTAL NON CURRENT ASSETS		106,409,891	106,971,641	128,841,927	105,803,442
Less: NON CURRENT LIABILITIES					
Deferred tax liability	15	9,250,607	9,941,306	9,941,306	9,250,607
Long term borrowings	13	10,700,000	7,700,000	29,334,086	7,700,000
TOTAL NON CURRENT LIABILITIES		19,950,607	17,641,306	39,275,392	16,950,607
NET ASSETS		86,486,985	84,659,231	87,660,818	84,338,404
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		29,192,962	25,644,120	28,645,707	27,044,380
Asset revaluation reserve		47,913,623	49,634,711	49,634,711	47,913,624
TOTAL SHAREHOLDERS' EQUITY		86,486,985	84,659,231	87,660,818	84,338,404

For and on behalf of the Board


Murray Georgel - Chair
Date: 22/02/2024


Shelly Mitchell-Jenkins -
Director Date: 22/02/2024

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

These financial statements are unaudited.

STATEMENT of CASH FLOWS
For the Six Months Ended 31 December 2023

Note	31 Dec 23 6 Months Unaudited	31-Dec-22 6 Months Unaudited	30-Jun-24 12 Months SOI	30-Jun-23 12 Months Audited
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers	9,254,249	7,337,193	15,932,788	12,837,143
Interest Received	-	-	-	-
Income Tax Refund	-	-	-	-
Operating Cash Inflows	9,254,249	7,337,193	15,932,788	12,837,143
Cash was disbursed to:				
Payment to Suppliers and Employees	5,768,994	3,976,303	7,240,788	6,075,735
Tax Loss Payment to PNCC	-	-	-	43,105
Payment of Income Tax	919,021	177,000	608,723	649,355
Interest Payments	212,426	307,167	1,104,142	594,399
Operating Cash Outflows	6,900,441	4,460,470	8,953,653	7,362,595
Net cash flows from operating activities	2,353,808	2,876,723	6,979,135	5,474,548
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Property Plant and Equipment	313	486,516	-	486,516
Investing Cash Inflows	313	486,516	-	486,516
Cash was applied to:				
Acquisitions of Property, Plant & Equipment	1,942,157	967,926	24,591,694	1,980,685
Acquisitions of Investment Property	-	-	-	84,259
Investing Cash Outflows	1,942,157	967,926	24,591,694	2,064,944
Net Cash Flow from Investing Activities	(1,941,844)	(481,410)	(24,591,694)	(1,578,428)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Borrowings	4,550,000	96,135	18,070,520	5,000,000
Financing Cash Inflows	4,550,000	96,135	18,070,520	5,000,000
Cash was applied to:				
Repayment of Borrowings	4,615,000	1,276,500	463,470	8,942,968
Payment of Dividends	-	-	-	-
Financing Cash Outflows	4,615,000	1,276,500	463,470	8,942,968
Net Cash from Financing Activities	(65,000)	(1,180,365)	17,607,050	(3,942,968)
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts	346,964	1,214,948	(5,509)	(46,848)
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the year	63,381	110,229	58,049	110,229
Cash, Cash Equivalents and Bank Overdrafts at Year End	410,345	1,325,177	52,540	63,381

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

These financial statements are unaudited.

Statement of Commitments

For the Six Months Ended 31 December 2023

Non-cancellable Commitments - Operating Lessee		
Not more than one year	122,831	} 11 Commitments, incl Operating Leases, Maintenance Contracts, and Vehicle Leases
One to two years	102,393	
Two to five years	37,637	
Over five years	-	
Total	262,861	
Non-cancellable Commitments - Operating Lessor		
Not more than one year	1,768,919	} 55 Property and Car Park Leases With PNAL as the Lessor
One to two years	1,965,471	
Two to five years	3,162,490	
Over five years	4,229,573	
Total	11,126,452	

NOTES TO THE FINANCIAL STATEMENTS

For the Six Months Ended 31 December 2023

1. **REPORTING ENTITY**

Palmerston North Airport Limited is a New Zealand company registered under the Companies Act 1993.

2. **BASIS OF PREPARATION**

Statement of Compliance

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Airport Authorities Amendment Act 2000, the Local Government Act 2002, Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 the Companies Act 1993, and the Financial Reporting Act 2013. The financial statements have been prepared in accordance with NZ GAAP. They have been prepared in accordance with Tier 2 PBE reporting standards.

The entity is eligible and has elected to report with Tier 2 PBE accounting standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and ≤ \$30m.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand Dollars.

3. **ACCOUNTING POLICIES**

Changes in accounting policies

There were no changes to accounting policies during the period being reported.

Specific accounting policies

The accounting policies as published in the Annual Report to 30 June 2023 have been applied consistently to all periods presented in these financial statements.

	31 Dec 23 6 Months Unaudited	31-Dec-22 6 Months Unaudited	30-Jun-24 12 Months SOI	30-Jun-23 12 Months Audited
4. ANALYSIS OF OPERATING REVENUE:				
Aeronautical revenue	5,193,068	4,227,593	8,647,920	8,167,352
Car park, rent and advertising	2,644,717	2,043,129	5,303,944	4,125,696
Other	145,718	144,235	236,736	292,082
Interest	-	-	-	-
Total	7,983,503	6,414,957	14,188,600	12,585,130
5. OTHER OPERATING EXPENSES				
Rates	224,557	216,903	469,104	433,807
Power and Insurance	308,965	263,631	583,000	519,930
Repairs and maintenance	578,261	567,478	2,652,112	1,451,031
Total	1,111,783	1,048,012	3,704,216	2,404,768
6. EMPLOYEE EXPENSES				
Salaries and wages*	1,104,650	840,851	2,071,335	1,774,355
Employer Contribution to Kiwi Saver	30,628	25,881	65,553	53,442
Movement in employee entitlement	2,445	109,514	30,000	78,332
Total	1,137,723	976,245	2,166,888	1,906,128
*Excludes Rescue Fire Service (RFS). Salaries and wages of RFS are included in Airfield Services expenditure.				
7. FINANCE COST				
Interest on term loans	279,031	307,167	1,104,142	594,399
Total	279,031	307,167	1,104,142	594,399
8. TAXATION				
Current year tax payable	835,560	649,011	752,006	1,129,551
Prior year adjustments	-	-	-	(0)
Movement in deferred tax	-	-	-	(67,559)
Total	835,560	649,011	752,006	1,061,992
9. CASH & CASH EQUIVALENTS				
BNZ Current account	406,973	1,320,372	48,228	59,311
Cash on hand	3,372	4,802	4,311	4,068
Short term deposits	-	-	-	-
Total	410,345	1,325,174	52,539	63,379
10. TRADE ACCOUNTS AND OTHER RECEIVABLES				
Debtors and other receivables	1,213,242	1,191,771	1,294,197	859,259
Receivables from related party	-	2,850	-	-
Allowance for credit losses	-	-	-	(17,289)
Total	1,213,242	1,194,621	1,294,197	841,970

	31 Dec 23	31-Dec-22	30-Jun-24	30-Jun-23
	6 Months	6 Months	12 Months	12 Months
	Unaudited	Unaudited	SOI	Audited

11. TRADE ACCOUNTS PAYABLE

Trade accounts payable	264,253	233,039	2,821,061	495,845
Payables to related party	171,103	3,347	-	109,012
Total	435,356	236,386	2,821,061	604,857

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value after making provisions for impairment on specific overdue accounts.

12. EMPLOYEE BENEFIT LIABILITIES

Accrued Pay	106,371	197,675	89,737	153,095
Annual leave	254,658	192,090	205,229	205,488
Total	361,029	389,765	294,966	358,584

13. BORROWINGS

Long term borrowings	10,700,000	7,700,000	29,334,086	7,700,000
Current portion of borrowings	-	5,721,700	-	3,065,000
Total	10,700,000	13,421,700	29,334,086	10,765,000

The Company has a bank facility of \$15.51 million which is secured by a registered first debenture and mortgage from the Bank of New Zealand over assets and property of the Company. This includes a facility of \$4.41m used for the construction of the Massey Aviation Training facility. The Company has a further facility with Palmerston North City Council (indirect LGFA funding) for \$32.27 million (indirect LGFA funding).

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

Borrowings are classified as current liabilities where the debt tranche is floating or fixed for less than 12 months after 31 December 2023. Otherwise borrowings are classified as non-current.

14. PROPERTY, PLANT AND EQUIPMENT

	30-Jun-23 Carrying Amount	Additions	Disposals	Disposals Accum Depr	Depreciation	31 Dec 23 Carrying Amount
Land	32,855,065	-	-	-	-	32,855,065
Buildings	11,381,047	1,172,011	-	-	149,954	12,403,103
Infrastructure - Land	7,337,047	250,861	-	-	138,220	7,449,688
Infrastructure - Air	35,696,487	154,237	-	-	610,934	35,239,790
Plant & Equipment	1,499,069	39,413	-	-	111,918	1,426,564
Furniture & Fittings	82,541	5,671	-	-	8,472	79,740
Computer Equipment	26,096	16,732	6,773	6,773	8,206	34,623
Motor Vehicles	1,470,022	23,197	-	-	39,703	1,453,516
Intangibles	56,068	26,438	-	-	14,704	67,802
Total	90,403,442	1,688,561	6,773	6,773	1,082,112	91,009,891

It is Management's opinion that there is no reason that any of the assets should be impaired, as at 31 December 2023 Management note the current terminal is anticipated to be expensed via accelerated depreciation during the FY25 and FY26 income years upon commitment to demolition of the building. The net book value, subject to accelerated depreciation, as at 31 December 2023 totalled \$7.05 million.

15. DEFERRED TAX ASSETS/(LIABILITIES)

	Investment Property	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2023	205,790	9,126,227	(76,169)	(5,242)	9,250,607
Change to profit and loss	-	-	-	-	-
Balance at 31 December 2023	205,790	9,126,227	(76,169)	(5,242)	9,250,607

16. CONTINGENCIES

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

17. EXTRAORDINARY ITEMS

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