PALMERSTON NORTH AIRPORT LIMITED

# 2024 DISCLOSURE FINANCIAL STATEMENTS

For the year ended 30 June 2024

PALMERSTON NORTH AIRPORT LIMITED

DISCLOSURE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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PALMERSTON NORTH
AIRPORT LIMITED

# COMPANY DIRECTORY

As at June 2024

## DIRECTORS

| | |
|---|---|
| Murray Georgel | Chair |
| Shelly Mitchell Jenkins | Chair of Audit & Risk Committee |
| Christopher Cardwell | Chair of Terminal & Property Development Committee |
| Sarah Laurence | |
| Sarah Everton | |

## MANAGEMENT

| | |
|---|---|
| David Lanham | Chief Executive |
| Jonathon Baker | Chief Financial Officer |
| Mark Lash | Chief Commercial Officer |
| Brent Lawry | Terminal & Facilities Manager |
| Muhammad Dahlan | Capital Projects and Assets Manager |
| Alex Fechney | Safety & Operations Manager |

## REGISTERED OFFICE

Palmerston North Airport Limited

| | |
|---|---|
| Terminal Building | Phone: +64 6 351 4415 |
| Airport Drive | Fax: +64 6 355 2262 |
| PALMERSTON NORTH | E-mail: info@pnairport.co.nz |
| | Web: www.pnairport.co.nz |

## TRADING BANKERS

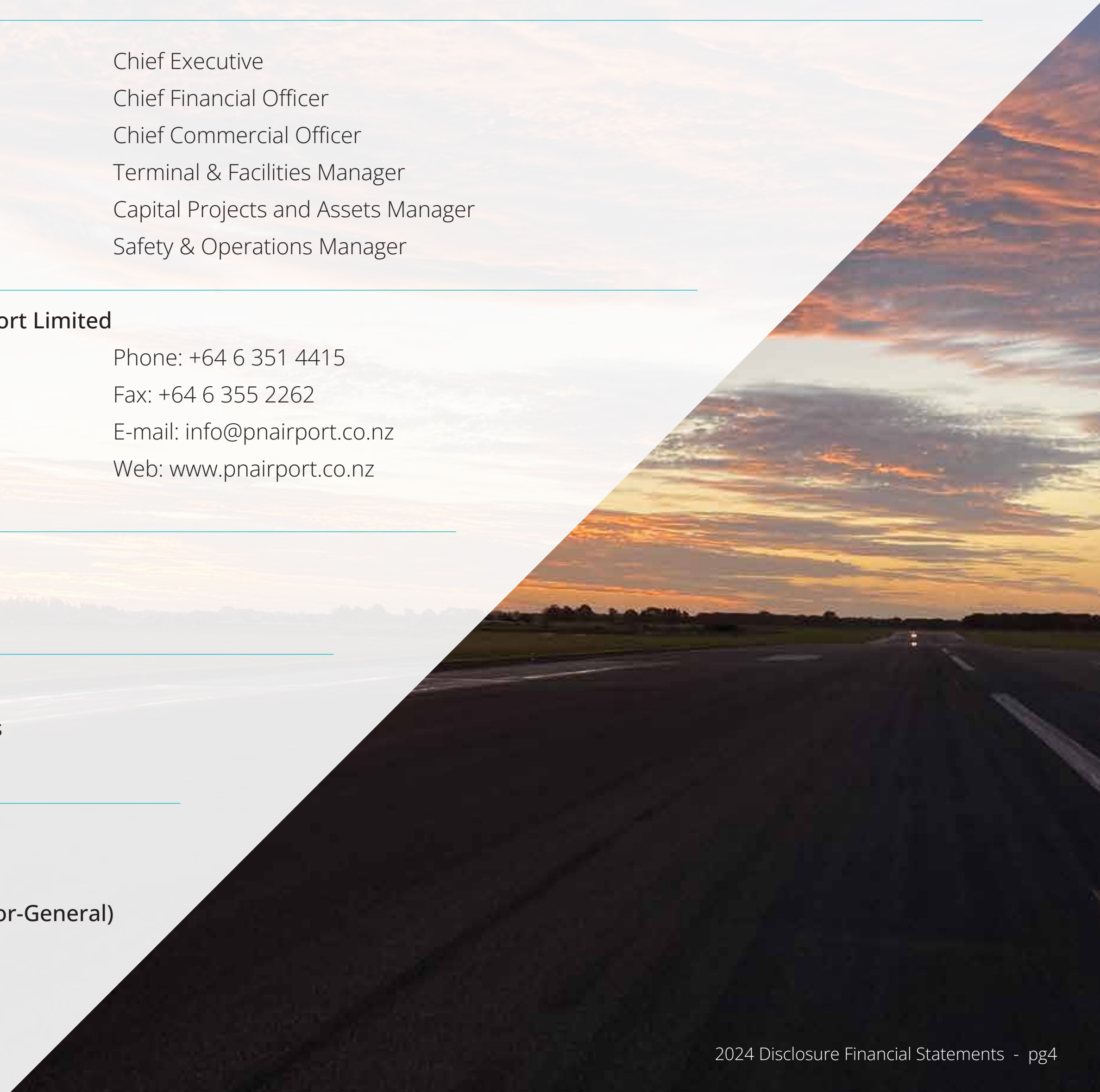
Bank of New Zealand

## LEGAL ADVISORS

Cooper Rapley Lawyers

## AUDITOR

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



# DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE 2024

PALMERSTON NORTH AIRPORT LIMITED

The Directors have pleasure in presenting the Disclosure Financial Statements of Palmerston North Airport Limited (the Company) for year ended 30 June 2024.

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

For the year ended 30 June 2024

PALMERSTON NORTH AIRPORT LIMITED

# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2024

| | Note | *30 June 2024 Actual $* | *30 June 2023 Actual $* |
|---|---|---|---|
| REVENUE | 1 | 10,847,116 | 9,002,424 |
| OPERATING EXPENSES | | | |
| Operations and Maintenance | | | |
| Airfield Services | 7a | 612,983 | 506,077 |
| Other Operating Expenses | 11 | 2,176,526 | 1,864,655 |
| TOTAL OPERATIONS AND MAINTENANCE | | 2,789,509 | 2,370,731 |
| Administration | | | |
| Audit Fees | 12 | 94,438 | 86,246 |
| Bad Debts Written Off | | 19,829 | 105 |
| Expected Credit Loss Allowance for Receivables | | (13,317) | 9,654 |
| Directors' Fees | | 105,298 | 100,679 |
| Employee Expenses | 7b | 1,519,782 | 1,412,619 |
| General Administration | 11a | 1,344,350 | 867,636 |
| TOTAL ADMINISTRATION | | 3,070,381 | 2,476,938 |
| TOTAL OPERATING EXPENSES | | 5,859,890 | 4,847,670 |
| Earnings Before Interest, Taxation, Depreciation, Amortisation & Valuation of Investment Properties | | 4,987,225 | 4,154,755 |
| Finance Costs, Depreciation, Amortisation & Loss on Sale | | | |
| Finance Costs | 9 | 387,476 | 443,283 |
| Depreciation & Amortisation | 2 & 3 | 1,789,920 | 1,758,439 |
| Loss/(Gain) on Sale of Assets | | 254,527 | 88,347 |
| Assets vested to PNCC | 2b | 3,921,895 | - |
| TOTAL FINANCE COSTS, DEPRECIATION | | 6,353,819 | 2,290,069 |
| Revaluation (Loss)/Gain - Investment Properties | 2a | (71,696) | 6,839 |
| OPERATING SURPLUS BEFORE TAXATION | | (1,438,289) | 1,871,525 |
| Taxation Expense on Operating Surplus | 6a | 1,121,054 | 663,700 |
| NET LOSS AFTER TAXATION ATTRIBUTABLE TO PNCC | | (2,559,343) | 1,207,825 |

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*

PALMERSTON NORTH AIRPORT LIMITED

# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2024

| | Note | 30 June 2024 Actual $ | 30 June 2023 Actual $ |
|---|---|---|---|
| NET SURPLUS AFTER TAXATION ATTRIBUTABLE TO PNCC | | (2,559,343) | 1,207,825 |
| **Other Comprehensive Revenue and Expense** | | | |
| Gains (losses/impairment) on property, plant and equipment revaluations | 13(d) | - | (1,672,858) |
| Movement in Deferred Tax at Revaluation | 13(d) | - | 468,400 |
| TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO PNCC | | (2,559,343) | 3,367 |

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

| | Note | 30 June 2024 Actual $ | 30 June 2023 Actual $ |
|---|---|---|---|
| EQUITY AT THE BEGINNING OF THE YEAR | | 60,821,052 | 60,801,449 |
| Opening Balance Reclassification to/from Non-Aero | | - | 16,235 |
| Total Comprehensive Revenue and Expense for the year | | (2,559,343) | 3,367 |
| Transfer out of Asset Revaluation Reserves for sale of assets | 13(b) | (1,567,384) | (107,307) |
| Transfer into Retained Earnings for sale of assets | 13(d) | 1,567,384 | 107,307 |
| Distribution to Shareholder During the Year | | - | - |
| EQUITY AT THE END OF THE YEAR attributable to PNCC | | 58,261,709 | 60,821,052 |

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

PALMERSTON NORTH AIRPORT LIMITED

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

| | Note | 30 June 2024 Actual $ | 30 June 2023 Actual $ |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 5 | 859,830 | 47,266 |
| Trade Accounts Receivable | 4 | 1,059,978 | 796,239 |
| Sundry Receivables and Prepayments | | 45,763 | 41,601 |
| TOTAL CURRENT ASSETS | | 1,965,570 | 885,106 |
| | | | |
| CURRENT LIABILITIES | | | |
| Revenue in Advance | 14 | 69,429 | 49,863 |
| Trade Accounts Payable | 14 | 578,468 | 676,052 |
| Other Creditors | 14 | 405,023 | 587,209 |
| Employee Benefit Liabilities | 7 | 347,565 | 282,219 |
| Borrowings | 10 | 1,998,518 | 2,285,777 |
| TOTAL CURRENT LIABILITIES | | 3,399,003 | 3,881,120 |
| | | | |
| WORKING CAPITAL | | (1,433,433) | (2,996,014) |
| | | | |
| NON CURRENT ASSETS | | | |
| Property, Plant & Equipment | 2 | 75,149,803 | 78,200,824 |
| Investment Property | 2a | 539,927 | 611,624 |
| Intangible Assets | 3 | 8,931 | 8,914 |
| TOTAL NON CURRENT ASSETS | | 75,698,661 | 78,821,362 |
| | | | |
| Less: NON CURRENT LIABILITIES | | | |
| Deferred Tax Liability | 6b | 9,062,075 | 8,465,741 |
| Borrowings | 10 | 6,941,445 | 6,538,555 |
| TOTAL NON CURRENT LIABILITIES | | 16,003,520 | 15,004,296 |
| | | | |
| NET ASSETS | | 58,261,709 | 60,821,052 |
| | | | |
| Represented by: | | | |
| SHAREHOLDER'S EQUITY | | | |
| Paid in Capital | 13(a) | 6,748,106 | 6,748,106 |
| Retained Earnings | 13(b) | 7,944,084 | 8,936,043 |
| Asset Revaluation Reserve | 13(d) | 43,569,519 | 45,136,903 |
| TOTAL SHAREHOLDER'S EQUITY | | 58,261,709 | 60,821,052 |

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*

PALMERSTON NORTH AIRPORT LIMITED

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

| | Note | 30 June 2024 Actual $ | 30 June 2023 Actual $ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Receipts from Customers | | 10,745,103 | 8,889,217 |
| Interest Received | | - | - |
| Income Tax Refund | | - | - |
| | | 10,745,103 | 8,889,217 |
| Cash was disbursed to: | | | |
| Payment to Suppliers and Employees | | 5,817,396 | 4,283,511 |
| Tax Loss Payment to PNCC | | - | - |
| Payment of Income Tax | | 929,790 | 439,606 |
| Interest Payments | | 387,476 | 443,283 |
| | | 7,134,662 | 5,166,400 |
| **Net cash flows from operating activities** | | **3,610,441** | **3,722,817** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Sale of Property Plant and Equipment | | 232 | 986 |
| Cash was applied to: | | | |
| Acquisitions of Property, Plant & Equipment | | 2,649,361 | 1,137,408 |
| Acquisitions of Investment Property | | - | 1,423 |
| Acquisitions from Reclassifications | | 264,379 | (25,035) |
| **Net Cash Flow from Investing Activities** | | **(2,913,507)** | **(1,112,810)** |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Borrowings | | 223,765 | 3,355,054 |
| Cash was applied to: | | | |
| Repayment of Borrowings | | 108,135 | 6,000,829 |
| Payment of Dividends | | - | - |
| **Net Cash from Financing Activities** | | **115,630** | **(2,645,775)** |
| **Net Increase / (Decrease ) in Cash, Cash Equivalents and Bank Overdrafts** | | **812,564** | **(35,768)** |
| Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the year | | 47,266 | 83,034 |
| **Cash, Cash Equivalents and Bank Overdrafts Year End** | | **859,830** | **47,266** |

*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

PALMERSTON NORTH
AIRPORT LIMITED

# NOTES TO THE DISCLOSURE FINANCIAL STATEMENTS

Statement of Accounting Policies for the Year ended 30 June 2024

## 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 2024. The financial statements were authorised for issue on 29 November 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:
   i. hangars
   ii. facilities and services for the refuelling of aircraft, flight catering and waste disposal
   iii. facilities and services for the storing of freight
   iv. 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 Com pany has prepared a going concern assessment and is satisfied the conditions for a going concern are met. The Company has prepared a three-year Statement of Intent for the FY25-FY27 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 ≥ $5m and < $33m.

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.

# 1. ANALYSIS OF OPERATING REVENUE

| | *2024 Actual* | *2023 Actual* |
|---|---|---|
| Passenger Aeronautical Revenue | 9,056,788 | 7,273,549 |
| Other Aeronautical Revenue | 946,816 | 893,805 |
| Land and Building Rentals | 767,514 | 772,233 |
| Other | 75,997 | 62,838 |
| Total | 10,847,116 | 9,002,424 |

**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

| Balance as at 1 July 2023 | *Land* | *Buildings* | *Airside Infrastructure* | *Landside Infrastructure* | *Total Infrastructure* | *Plant & Equipment* | *Furniture & Fittings* | *Computer Equipment* | *Motor Vehicles* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 Depreciation | - | (755,901) | (2,042,587) | (1,309,712) | (3,352,299) | (1,123,691) | (168,064) | (82,748) | (67,657) | (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** |
| | | | | | | | | | | |
| **Movements for the year** | | | | | | | | | | |
| Opening Balance Reclassification - Cost | (8,483) | 373,770 | - | (135,332) | (135,332) | 2,190 | 688 | - | - | 232,833 |
| Opening Balance Reclassification - Accumulated Dep. | - | (8,440) | - | 40,728 | 40,728 | (657) | (640) | 596 | - | 31,586 |
| Reverse Prior Year Work in Progress | - | (811,292) | (344,972) | (78,823) | (423,795) | (14,993) | - | - | (829,802) | (2,079,881) |
| Additions & Current Year Work in Progress | - | 2,454,265 | 560,887 | 128,648 | 689,535 | 102,307 | 4,366 | 30,843 | 852,999 | 4,134,315 |
| Disposals - Cost / Valuation | (1,732,224) | - | - | (2,760,735) | (2,760,735) | (18,915) | - | (11,209) | - | (4,523,083) |
| Revaluation Surplus/(Loss/Impairment) | - | - | - | - | - | - | - | - | - | - |
| Disposals - Accumulated Dep. | - | - | - | 912,249 | 912,249 | 15,909 | - | 11,222 | - | 939,380 |
| Depreciation for the Year | - | (213,067) | (1,238,743) | (93,008) | (1,331,751) | (124,134) | (12,209) | (10,674) | (94,334) | (1,786,170) |
| Dep. Reversal on Revaluation | - | - | - | - | - | - | - | - | - | - |
| **Closing Balance 30 June 2024** | | | | | | | | | | |
| Cost/Valuation | 27,953,932 | 10,508,095 | 37,954,977 | 1,074,871 | 39,029,847 | 2,113,672 | 233,693 | 115,250 | 1,560,876 | 81,515,365 |
| Accumulated Dep. | - | (977,409) | (3,281,330) | (449,743) | (3,731,073) | (1,232,573) | (180,914) | (81,605) | (161,988) | (6,365,562) |
| **Carrying Amount** | **27,953,932** | **9,530,686** | **34,673,647** | **625,128** | **35,298,774** | **881,099** | **52,779** | **33,645** | **1,398,888** | **75,149,803** |
| ***Capital work in progress included at cost 30 June 24*** | - | *2,054,265* | *216,994* | *128,648* | *345,643* | *57,424* | - | *15,613* | - | *2,472,945* |

PALMERSTON NORTH AIRPORT LIMITED

## 2. PROPERTY, PLANT AND EQUIPMENT *(continue)*

| Balance as at 1 July 2022 | *Land* | *Buildings* | *Airside Infrastructure* | *Landside Infrastructure* | *Total Infrastructure* | *Plant & Equipment* | *Furniture & Fittings* | *Computer Equipment* | *Motor Vehicles* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 Balance 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 June 24*** | - | *811,292* | *344,972* | *78,823* | *423,795* | *14,993* | - | - | *829,802* | *2,079,881* |

### 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 2024 and resulted in a suggested decrease in value of $2.7m. 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 2024.

Revaluations will continue to be undertaken at least three yearly in line with the current revaluation cycle of the Company. The last revaluation was as at 30 June 2022.

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.

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

***Sensitivity analysis***

Sensitivity analysis has been completed where changes in key inputs to assumptions would significantly change the fair value. The change to the fair value assessment from changing these inputs has been estimated as follows:

- Decreasing the discount rate to 17.5% would result in an increase in land value of $2.5m.
- Increasing the discount rate to 22.5% would result in a decrease in land value of $2.1m.
- If the land inflation rate was increased to 5.00% annually this would result in an increase of land value of $3.01m.
- No land inflation over the 10 years would result in a reduction in land value of $1.5m.
- An increase of Basic Development Costs by 10% would result in a reduction of $1.8m. This assumes 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 $9.0m. 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 2024 and resulted in a increase of $0.9m. 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 2024.

Revaluations will continue to be undertaken at least three yearly in line with the current revaluation cycle of the Company. The last revaluation was as at 30 June 2023.

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.

Compared to prior years, construction cost escalation has started to stabilise and is unlikely to be as high as recent years. Going forward, annual escalation is anticipated to be under 3%.

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 2024 and resulted in a suggested increase in value of $0.4m 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 2024.

Revaluations will continue to be undertaken at least three yearly in line with the current revaluation cycle of the Company. The last revaluation was as at 30 June 2022.

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

***Landside Infrastructure***

Landside Infrastructure has been valued at historic cost less depreciation.

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

***Impairment***

Impairment for Property, Plant and Equipment for 2024 was $0.34m (2023: nil). This relates to historic WIP expenditure which is no longer considered attributable to an identifiable project.

***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 & Carparks (Landside Infrastructure) | 2 - 99 years |
| Buildings & Building services | 8 - 99 years |
| Runway, Taxiways, Aprons (Airside Infrastructure) | 2 - 80 years |
| Plant and Equipment | 2 - 50 years |
| Furniture & Fittings | 3 - 99 years |
| Computer Equipment | 3 - 6 years |
| Motor Vehicles (including Fire Appliances) | 5 - 15 years |

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

**Impairment of property, plant, equipment and intangible assets**

Property, plant, equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the surplus and deficit account.

*Value in use for non-cash-generating assets*
Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

*Value in use for cash-generating assets*
Cash-generating assets are those assets that are held

with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

### Non-current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are held for sale.

### Critical accounting estimates and assumptions

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Property, plant and equipment useful lives and residual values*
At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Revenue and Expense and carrying amount of the asset in the Statement of Financial Position. The Company minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programmes;
- Review of second-hand market prices for similar assets; and
- Analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values.

The Company has assessed the impact of the planned terminal redevelopment on the remaining useful life of the Terminal Building. As the redevelopment is yet to be committed to, the Company considers there to be no impact on remaining useful life at 30 June 2024.

## 2A. INVESTMENT PROPERTY

| | 2024 Actual | 2023 Actual |
|---|---|---|
| **Opening Balance** | 611,624 | 603,361 |
| Additions and acquisitions | - | 1,423 |
| Depreciation | - | - |
| Fair value gains/(losses) on valuation | (71,696) | 6,839 |
| **Closing Balance** | **539,927** | **611,624** |

## 2B. ASSETS VESTED TO PNCC

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Airport Dr - improvements | 1,851,102 | - |
| Airport Dr - land | 1,732,224 | - |
| Cash contribution for Airport Dr vesting | 338,569 | - |
| **Total** | **3,921,895** | **-** |

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 2024. 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 a decrease in value of $0.07m (Whole Company).

Rental income for the year was $0.2m (FY23 $0.2m). There were no expenses from Investment Property generating income. There are no outstanding contractual obligations relating to Investment Property.

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

| *Investment Property* | *Valuation Methodologies* | *Significant Assumptions* |
|---|---|---|
| Massey School of Aviation | - Cost Approach via a Replacement Cost Method (RCM)<br>- Income Approach via a Discounted Cash Flow (DCF)<br>- Market Approach via looking at comparable sales | - Depreciation and saleability condition of the assets<br>- Costs to subdivide the land<br>- Various capitalisation rates |
| 100 Airport Drive | - Cost Approach via an RCM<br>- Income Approach via a Capitalisation Rate Method<br>- Market Approach via looking at comparable sales | - Depreciation and saleability condition of the assets<br>- Costs to subdivide the land<br>- Various capitalisation rates<br>- 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<br>- Costs to subdivide the land |
| Three lots on Zone H | - One or more methods including:<br>- Income Approach via a DCF<br>- Market Approach via looking at comparable sales | - Costs to subdivide the land<br>- Various capitalisation and discount rates |

# 3. INTANGIBLE ASSETS

| | Website | Software | Total |
|---|---|---|---|
| **Balance as at 1 July 2023** | 15,848 | 13,602 | 29,449 |
| Accumulated Amortisation | (6,933) | (13,602) | (20,534) |
| **Carrying Amount** | **8,915** | **(0)** | **8,915** |
| **Movement for the year** | | | |
| Opening Balance Reclassification - Cost | (71) | (0) | (71) |
| Opening Balance Reclassification - Accumulated Amortisation | 31 | - | 31 |
| Reverse Prior Year Work in Progress | - | - | - |
| Additions and Current Year Work in Progress | - | 4,139 | 4,139 |
| Disposals | - | (83) | (83) |
| Disposal - Accumulated Amortisation | - | 83 | 83 |
| Amortisation for the year | (3,945) | (138) | (4,082) |
| **Closing Balance 30 June 2024** | | | |
| Cost/Revaluation | 15,808 | 17,657 | 33,465 |
| Accumulated Amortisation | (10,877) | (13,656) | (24,534) |
| **Carrying Amount** | **4,930** | **4,001** | **8,931** |
| *Capital work in progress included at cost* | - | - | - |
| **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* | - | - | - |

**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:

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Debtors and Other Receivables | 912,738 | 813,528 |
| Receivables from related party | - | - |
| Allowance for credit losses | (3,973) | (17,289) |
| Income tax receivable | 151,212 | - |
| **Total** | **1,059,978** | **796,239** |

***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.

## 5. CASH & CASH EQUIVALENTS

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Current account | 859,830 | 47,266 |
| **Total** | **859,830** | **47,266** |

***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

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Operating Surplus (Deficit) Before Taxation | (1,438,289) | 1,871,525 |
| Tax at 28% | (402,721) | 524,027 |
| Plus (Less) tax effect of: | | |
| - Permanent differences/non-deductible expenditure | 500,495 | 4,343 |
| - Prior year under/(over) provision | - | - |
| - Deferred tax impact from reversal of depreciation on buildings | 893,860 | - |
| - Deferred tax on revaluation & deferred tax movement for year | 129,419 | 135,330 |
| **Tax charge for the year** | **1,121,054** | **663,700** |
| | | |
| Tax expense for the year comprising: | | |
| Current tax expense | 524,762 | 771,748 |
| Prior year adjustments | - | - |
| Deferred tax expense | 596,292 | (108,048) |
| | **1,121,054** | **663,700** |

# 6B. DEFERRED TAX (ASSETS) / LIABILITIES

| | *Investment Property* | *Property, plant & equipment* | *Employee entitlements* | *Other provisions* | *Total* |
|---|---|---|---|---|---|
| Balance as at 1 July 2023 | 13,089 | 8,517,727 | (59,918) | (5,156) | 8,465,741 |
| Transfer PPE to IP | - | - | - | - | - |
| Charged to Surplus and Deficit - Current Year | 2,961 | (289,696) | (14,465) | 3,674 | (297,527) |
| Charged to Other Comprehensive Income | - | 893,860 | - | - | 893,860 |
| Balance at 30 June 2024 | 16,050 | 9,121,891 | (74,384) | (1,483) | 9,062,075 |
| | | | | | |
| Balance as 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 |

**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.

The Government has enacted legislation that removes the deductibility of depreciation on commercial buildings for tax purposes. This legislation, which received Royal Assent on 28 March 2024, sets the tax depreciation rate to 0%, effective from the 2024-25 income year onwards. As at 30 June 2024, the impact of this change reduces the tax base for these assets, giving rise to an increased temporary difference between the carrying amount and the tax base, and results in an increase in deferred tax liability and an increase in tax expense of $0.89 million.

**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

| | 2024<br>Actual | 2023<br>Actual |
|---|---|---|
| Accrued Pay (inc bonus accrual) | 135,518 | 120,243 |
| Annual Leave | 212,048 | 161,976 |
| **EMPLOYEE BENEFIT LIABILITIES** | **347,565** | **282,219** |

# 7A. AIRFIELD SERVICE

| | 2024<br>Actual | 2023<br>Actual |
|---|---|---|
| Salaries and Wages | 535,896 | 422,381 |
| Employer Contribution to Kiwi Saver | 13,566 | 11,208 |
| Movement in Employee Entitlements | 26,212 | 42,862 |
| Other Rescue Fire Costs | 37,309 | 29,626 |
| **Total** | **612,983** | **506,077** |

Airfield Service costs comprise those specifically relating to employee costs associated with RFS employees.

# 7B. EMPLOYEE EXPENSES

| | 2024<br>Actual | 2023<br>Actual |
|---|---|---|
| Salaries and Wages | 1,439,989 | 1,349,690 |
| Employer Contribution to Kiwi Saver | 40,077 | 39,559 |
| Movement in Employee Entitlements | 39,716 | 23,371 |
| **Total costs** | **1,519,782** | **1,412,619** |

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

| Operating Commitments as Lessee | 2024 | 2023 |
|---|---|---|
| | Actual | Actual |
| Less than 1 Year | 141,948 | 104,281 |
| Between 1 and 5 Years | 102,224 | 138,050 |
| Over 5 Years | - | - |
| **Total** | **244,172** | **242,331** |

| Operating Commitments as Lessor | 2024 | 2023 |
|---|---|---|
| | Actual | Actual |
| Less than 1 Year | 648,934 | 701,733 |
| Between 1 and 5 Years | 1,781,203 | 1,860,503 |
| Over 5 Years | 1,504,305 | 1,555,202 |
| **Total** | **3,934,442** | **4,117,437** |

| | | |
|---|---|---|
| On-going leases per month | 66,954 | 67,180 |

**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, portacoms, advertising and three motor vehicles. The unexpired terms of leases as at 30 June 2024 range from 1 to 34 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.

2024 commitments have been calculated until the end of the current right of renewal, or end of the contract, whichever comes first. These commitments relate to property leases, advertising, and rental agency contracts and are GST exclusive.

There are other ongoing leases amounting to $2,493 per annum that are on a month to month basis (2023: $55). There are no contingent rents recognised as revenue in the period.

### Capital Commitments (Whole Company)

PNAL had capital commitments of $3.48m as at 30 June 2024 largely relating to the extension on the Long Stay carpark and consultants in respect of the terminal redevelopment (2023: $3.26m).

## 9. FINANCE COSTS

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Interest on Secured Long Term Loans | 387,476 | 443,283 |
| **Total** | **387,476** | **443,283** |

## 10. BORROWINGS

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Current Borrowings | 1,998,518 | 2,285,777 |
| Non-Current Borrowings | 6,941,445 | 6,538,555 |
| **Total Borrowings** | **8,939,963** | **8,824,333** |

### 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 $8.94m borrowings (2023: $8.82m) 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 $12.6m (Whole Company) at 30 June 2024 (2023: $9.9m).

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 2024 is $5.9m (2023: $4.1m). 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 2034.

## 11. OTHER OPERATING EXPENSES

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Rates | 399,181 | 385,472 |
| Power and Insurance | 483,827 | 389,874 |
| Repairs and Maintenance | 1,293,517 | 1,089,308 |
| **Total** | **2,176,526** | **1,864,655** |


## 11A. GENERAL ADMINISTRATION

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Marketing | 174,615 | 120,934 |
| Contractors | 11,702 | 74,219 |
| Consultants | 489,792 | 158,486 |
| Legal | 42,702 | 153,307 |
| PFAS Monitoring & Testing | 208,659 | - |
| Temporary Terminal Costs | 9,475 | - |
| Other | 407,405 | 1,849,059 |
| **Total** | **1,344,350** | **2,356,004** |

## 12. AUDIT FEES

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Fees for Audit of Financial Statements | 64,438 | 56,246 |
| Fees for Audit of Disclosure Accounts | 30,000 | 30,000 |
| **Total** | **94,438** | **86,246** |

## 13. EQUITY

| (a) Share Capital | 2024 Actual | 2023 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 | 2024 Actual | 2023 Actual |
|---|---|---|
| Opening Balance | 8,936,043 | 7,620,911 |
| Net Operating Surplus | (2,559,343) | 1,207,825 |
| Dividends paid during year | - | - |
| Transfer from asset revaluation reserve for sale of assets | 1,567,384 | 107,307 |
| **Closing Balance** | **7,944,084** | **8,936,043** |

**(c) Dividends (Whole Company):**

Once the solvency test has been satisfied, the Directors will declare a fully imputed dividend of 2.079 cents per $1 paid up share capital (exclusive of any premium on issue) as at 30 June 2024 representing $195,000 for the 12 months ending 30 June 2024 (2023: Nil)

| (d) Asset Revaluation Reserve | 2024 Actual | 2023 Actual |
|---|---|---|
| Opening Balance | 45,136,903 | 46,432,432 |
| Opening Balance Reclassification to/from Non-Aero | - | 16,235 |
| Revaluation movement | - | |
| - Land | - | - |
| - Buildings | - | (1,672,858) |
| - Airside Infrastructure | - | - |
| | | (1,672,858) |
| Less Deferred Taxation | | |
| - Movement - Land | - | - |
| - Movement - Buildings | - | 468,400 |
| - Movement - Airside Infrastructure | - | - |
| Transfer to Retained Earnings for sale of assets | (1,567,384) | (107,307) |
| **Closing Balance** | **43,569,519** | **45,136,903** |
| | | |
| Asset Revaluation Reserve consists of: | | |
| - Land | 21,102,898 | 22,670,282 |
| - Buildings | 503,011 | 503,011 |
| - Airside Infrastructure | 21,963,610 | 21,963,610 |
| **Total** | **43,569,519** | **45,136,903** |

**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 judgements 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

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Revenue in advance from exchange transactions | 69,429 | 49,863 |
| Revenue in advance from non-exchange transactions | - | - |
| **Total** | **69,429** | **49,863** |
| | | |
| **Trade Accounts Payable from exchange transactions** | | |
| Trade Accounts Payable | 439,072 | 419,225 |
| Payables to Related Party | 139,396 | 80,048 |
| **Trade Accounts Payable from non-exchange transactions** | | |
| Income tax payable | - | 253,857 |
| **Total** | **578,468** | **753,130** |
| | | |
| **Other creditors from exchange transactions** | | |
| Other creditors | 388,684 | 504,894 |
| **Other creditors from non-exchange transactions** | | |
| GST (refundable)/payable | 16,339 | 82,315 |
| **Total** | **405,023** | **587,209** |

## 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 2024 for $954,572 (2023: $519,451). The prior year comparative has changed from the declared value in the 2023 financial statements of $451,696 as this amount had incorrectly adjusted for GST on related party transactions. In addition, during the 2024 income year, PNAL utilised accumulated tax losses from PNCC totalling $392,925, resulting in a tax payment to PNCC of $110,019 for the 2023 tax year (2023: The tax losses utilised totalled $153,948 via a tax payment to PNCC of $43,105 for the 2022 tax year).

During FY24, PNAL vested Airport Dr assets to PNCC and made a cash contribution towards the ongoing maintenance and upgrades. Refer to note 2B for further details.

During the year PNAL paid interest to PNCC of $299,505 (2023: $115,530). At June 2024 a further $183,746 (2023: $103,354) of interest was accrued but unpaid.

Refer to Note 13(c) regarding dividends declared and paid to PNCC.

PNAL provided services to PNCC during the 12 months ended 30 June 2024 for $11,954 (2023: $21,558). Other than the tax loss, all transactions were conducted on normal commercial terms.

PNAL owed PNCC $184,324 inclusive of GST as at 30 June 2024 (2023: $109,012).

PNCC owed PNAL $578 inclusive of GST as at 30 June 2024 (2023: $0).

Key Personnel Remuneration

| | 2024 Actual | 2023 Actual |
|---|---|---|
| Directors Remuneration | 142,256 | 135,000 |
| Number of directors | 5 | 5 |
| Senior Management Team including the Chief Executive Remuneration | 1,207,111 | 1,100,739 |
| Full Time Equivalents | 6 | 6 |

*Variances in the table above arise from 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.

**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 PBE IPSAS 41, the following tables outlines the carrying amounts of the Company's financial assets and liabilities in each of the financial instrument categories:

| **Financial Assets Amortised Cost** | | **2024** | **2023** |
|---|---|---|---|
| | **Rating*** | **Actual** | **Actual** |
| | AA- | | |
| Cash and Cash Equivalents | | 859,830 | 47,266 |
| Trade Receivables | | 1,059,978 | 796,239 |
| **Total Financial Assets at amortised cost** | | **1,919,807** | **843,505** |

* Standard & Poor's Rating for BNZ

| **Financial Liabilities Amortised Cost** | **2024** | **2023** |
|---|---|---|
| | **Actual** | **Actual** |
| Trade Accounts and Other Payable | 983,491 | 1,263,261 |
| Bank Overdraft | - | - |
| Borrowings - Secured Loans | 8,939,963 | 8,824,333 |
| **Total Financial Liabilities at amortised cost** | **9,923,454** | **10,087,593** |

## 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. Further testing and investigation totalling $208,659 has been completed during the 2024 financial year (2023: $0).

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 2024.

# IDENTIFIED AIRPORT ACTIVITIES 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.

PALMERSTON NORTH AIRPORT LIMITED

# FOR THE YEAR ENDED 30 JUNE 2024

| REVENUE | Note | *Aircraft & Freight Activities* *$* | *Airfield Activities* *$* | *Specified Terminal* *$* | *Total* *$* |
|---|---|---|---|---|---|
| Aeronautical Charges | | - | 6 ,772,421 | 3 ,231,184 | **10,003,604** |
| Rental income | | 379,725 | 261,181 | 126,609 | **767,514** |
| Other | | 34,416 | 27,651 | 13,930 | **75,997** |
| Revaluation Gain - Investment Properties | 2a | - | - | - | **-** |
| TOTAL REVENUE | 1 | 414,140 | 7,061,253 | 3 ,371,723 | 10,847,116 |
| | | | | | |
| Expenses | | | | | |
| Airfield Services | | 23,616 | 577,779 | 11,588 | **612,983** |
| Rates | | 38,107 | 358,895 | 2,179 | **399,181** |
| Power and Insurance | | 27,950 | 310,793 | 145,084 | **483,827** |
| Repairs and Maintenance | | 13,297 | 955,518 | 324,703 | **1,293,517** |
| Audit Fees | 12 | 5,252 | 73,341 | 15,846 | **94,438** |
| Bad Debts Written Off | | 19,822 | 8 | - | **19,829** |
| Expected Credit Loss Allowance for Receivables | | (16,530) | 3,213 | - | **(13,317)** |
| Directors' Fees | | 6,710 | 87,933 | 10,655 | **105,298** |
| Salaries and Wages | 7b | 108,548 | 985,529 | 345,913 | **1,439,989** |
| Employer Contribution to Kiwi Saver | | 3,044 | 27,519 | 9,514 | **40,077** |
| Movement in Employee Entitlements | | 3,017 | 27,271 | 9,428 | **39,716** |
| General Administration | | 56,969 | 1,104,192 | 183,188 | **1,344,350** |
| Finance Costs | 9 | 24,691 | 323,575 | 39,210 | **387,476** |
| Depreciation | 2 | 39,454 | 1,461,777 | 284,940 | **1,786,170** |
| Amortisation of intangible assets | | 72 | 2,328 | 1,350 | **3,750** |
| Loss/(Gain) on Sale of Assets | | 739 | 12,636 | 241,152 | **254,527** |
| Assets vested to PNCC | 2b | 249,105 | 2,982,493 | 690,297 | **3,921,895** |
| Revaluation Loss - Investment Properties | 2a | 71,696 | - | - | **71,696** |
| TOTAL EXPENSES | | 675,561 | 9,294,799 | 2,315,045 | 12,285,405 |
| | | | | | |
| SEGMENT PROFIT BEFORE TAX | | (261,421) | (2,233,546) | 1,056,677 | (1,438,290) |
| | | | | | |
| Taxation Expense on Operating Surplus | 6a | 203,761 | 1,740,905 | (823,612) | **1,121,054** |
| | | | | | |
| PROFIT AFTER TAX | | (465,181) | (3,974,451) | 1,880,289 | (2,559,343) |
| | | | | | |
| Additions of property, plant & equipment included in segment assets (excluding WIP) | | 2,025,760 | 16,670,400 | 5,708,224 | **24,404,384** |
| | | | | | |
| Average number of full time staff equivalents | | 0.8 | 12.7 | 2.9 | **16.4** |

PALMERSTON NORTH AIRPORT LIMITED

# FOR THE YEAR ENDED 30 JUNE 2023

| REVENUE | Note | *Aircraft & 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** |
| Other | | 34,079 | 21,332 | 7,426 | **62,838** |
| Revaluation Gain - 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 | 7b | 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** |
| Revaluation Loss - Investment Properties | 2a | - | - | - | **-** |
| 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** |

# COMPARISON TO AMOUNTS DISCLOSED IN AUDITED ANNUAL REPORT

For the Year Ended 30 June 2024

| Statement of Comprehensive Revenue and Expense | Disclosure Accounts $000's | Annual Report $000's |
|---|---|---|
| Total Revenue | 10,847 | 15,487 |
| Profit After Tax | (2,559) | (2,259) |
| Total Comprehensive Income | (2,559) | (2,259) |
| **Statement of Financial Position** | | |
| Total Assets | 77,664 | 105,042 |
| Total Liabilities | 19,403 | 22,963 |

For the Year Ended 30 June 2023

| Statement of Comprehensive Revenue and Expense | Disclosure Accounts $000's | Annual Report $000's |
|---|---|---|
| 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 | 105,042 |
| Total Liabilities | 18,885 | 22,572 |

## 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 *Identified 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.

### 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.

### d) 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 2023 aeronautical pricing review process, a five-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 2023. The following table summarises the key parameters applied by PNAL to estimate its post-tax WACC at 1 July 2023.

| | FY24 Base Aeronautical Asset | FY24 Development Asset |
|---|---|---|
| | **Parameter** | **Parameter** |
| Risk free rate | 4.46% | 4.46% |
| Market risk premium | 7.00% | 7.00% |
| Tax rate | 28.00% | 28.00% |
| Debt / (Debt + Equity) | 30.00% | 30.00% |
| Implied debt premium | 0.33% | 0.33% |
| Asset beta | 0.50 | 0.50 |
| Cost of Debt | 4.79% | 4.79% |
| Post tax cost of Equity | 8.21% | 8.21% |
| **Weighted Average Cost of Capital** | **6.78%** | **6.78%** |

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 in August 2023 to apply from 1 July 2023 to 30 June 2028.

The Final Pricing Determination dated 10 August 2023 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 2023 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 2023 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 2023 and 2024):

| Aircraft MCTOW (kg) | Base Charge / MCTOW Weight Charge per arrival | Seat Capacity / POB charge per movement |
|---|---|---|
| Up to 1,999 kg | $7.54 | Nil |
| 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 2024 Charge (excl GST) | Year to 30 June 2024 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 2024 Charge (excl GST) | Year to 30 June 2023 Charge (excl GST) |
|---|---|---|---|
| 0 to 20,000 | PC12 | 1 | 0 |
| | JS32 | 520 | 636 |
| | DH8C | 251 | 249 |
| | C208 | 0 | 0 |
| 20,000 - 26,000 | ATR72 | 4,427 | 4,286 |
| >71,000 | A320 | 1 | 4 |

### b) Other landings

| Aircraft MCTOW (kg) | Year to 30 June 2024 | Year to 30 June 2023 |
|---|---|---|
| All weights | 4,781 | 5,208 |

### c) Passengers

| Class of Passenger | Year to 30 June 2024 | Year to 30 June 2023 |
|---|---|---|
| Passengers arriving and departing on scheduled domestic flights | 547,721 | 534,651 |

### 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

| | Number of Events | | Total Duration (to nearest 15 minutes) | |
|---|---|---|---|---|
| | Year to 30 June 2024 | Year to 30 June 2023 | Year to 30 June 2024 | Year to 30 June 2023 |
| Runway Services | - | - | - | - |
| Stand Position Services | - | - | - | - |
| Baggage Handling Services | - | - | - | - |

### f) Un-planned disruptions

| | Number of Events | | Total Duration (to nearest 15 minutes) | |
|---|---|---|---|---|
| | Year to 30 June 2024 | Year to 30 June 2023 | Year to 30 June 2024 | Year to 30 June 2023 |
| Runway Services | - | - | - | - |
| Stand Position Services | - | - | - | - |
| Baggage Handling Services | - | - | - | - |

# 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 2024

PALMERSTON NORTH AIRPORT LIMITED

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 42 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 29 November 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 30 September 2024, 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.

Audit New Zealand
Mana Arotake Aotearoa

## 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*

# DIGITAL EDITION DISCLOSURE FINANCIAL STATEMENTS

## NOT PRINTED WITH THE ENVIRONMENT IN MIND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REDUCTION

PALMERSTON NORTH AIRPORT LIMITED