

# 2026–2028 STATEMENT OF INTENT

YEAR ENDING 30 JUNE 2026

FINAL  
29 MAY 2025







airport  
carbon  
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TRANSFORMATION

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# CONTENTS

INTRODUCTION	02
NATURE AND SCOPE OF ACTIVITIES	03
STRATEGIC OBJECTIVES	04
SUMMARY OF STATEMENT OF EXPECTATIONS	06
ALIGNMENT WITH PNCC VISION AND GOALS	10
TERMINAL DEVELOPMENT PROJECT	12
KAITIAKITANGA / GUARDIANSHIP	14
MANAAKITANGA / CUSTOMER EXPERIENCE	16
INFRASTRUCTURE	17
COMMERCIAL	18
COMPLIANCE	19
FINANCIAL PERFORMANCE TARGETS	20
PNAL CAPITAL AND DEBT FUNDING	21
PERFORMANCE METRIC TARGETS	22
DEBT RELATED PERFORMANCE METRICS	23
KEY OBJECTIVES	24
FINANCIAL STATEMENTS	28
DIVIDEND POLICY	37
GOVERNANCE	38

# INTRODUCTION

This Statement of Intent is presented by the Directors of Palmerston North Airport Limited (“PNAL”) in accordance with section 64 of the Local Government Act 2002.

PNAL falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to section 6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's (PNCC) shareholding.

The purpose of the Statement of Intent is to publicly declare the activities and intentions of PNAL and provide an opportunity for the Shareholder to influence its direction.

It also provides a basis for accountability of Directors of PNAL to the Shareholder for performance. It is intended to comply with Schedule 8 of the Local Government Act and be consistent with PNAL's Constitution.

This Statement of Intent has been informed by PNCC's Statement of Expectation dated 21 November 2024.

The Statement of Intent has been prepared under the Public Benefit Entity (PBE) Standards based on International Public Sector Accounting Standards (IPSAS).

Directors and team members of PNAL continue to acknowledge mana whenua Rangitāne and their customary relationship to this region. PNAL appreciates their manaakitanga shown towards the airport and all airport users. PNAL looks forward to further enriching its partnership with Rangitāne, mana whenua and other local iwi over the coming years.



# NATURE AND SCOPE OF ACTIVITIES

Palmerston North Airport Limited (PNAL) owns and operates Palmerston North Airport, having purchased the airport business on 30 January 1990.

Palmerston North Airport is an asset of regional and national importance managed by PNAL. The airport services a regional catchment which includes Ruapehu District in the north, Whanganui, Rangitikei, Manawātū, and Horowhenua in the south, and across to Wairarapa, Tararua and Southern Hawke's Bay. A population base of close to one million live within two hours' drive of the airport.

Our purpose of *"Launching our communities into a promising future"* reflects our true reason for being and references our role as facilitating regional growth in social, economic, and environmental terms. This includes growing long-term Shareholder value and serving our communities, whether defined by geographical location, ethnicity or socially, and further enriching our special relationship with mana whenua, Rangitāne and other local iwi.

Our aspirational vision of being *"New Zealand's leading regional airport"* emphasises our airport's leadership

amongst regional peers across many aspects of our airport business. These include asset management, safety and compliance, iwi engagement, environmental sustainability, customer experience, community engagement, freight and logistics, aviation tertiary training, property development and the wellbeing of our team.

PNAL's main priority is to facilitate the ongoing delivery of sustainable and resilient passenger and airfreight services. This includes ensuring our aeronautical pavements, terminal building and related infrastructure are fit for purpose. This is the primary driver behind the upcoming terminal redevelopment, in order to address existing seismic risks as well as futureproof for medium to long term growth.

Beyond the facilitation of air services, PNAL's secondary focus is to diversify the PNAL revenue base through ongoing commercialisation within Ruapehu Aeropark.

## OUR PURPOSE

***LAUNCHING OUR  
COMMUNITIES INTO A  
PROMISING FUTURE***



## OUR VISION

***NEW ZEALAND'S  
LEADING REGIONAL  
AIRPORT***



# STRATEGIC OBJECTIVES

PNAL's strategic objectives are categorised within a Five Strategic Pillar framework also referred to as "the Five C's".



## COMPLIANCE

*We maintain a safe and secure operation.*

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

- We operate a successful enterprise with the objective of growing long-term Shareholder value and providing a return to our Shareholder when we have funds surplus to our on-going investment and operating requirements.
- We facilitate regional economic development by growing passenger and airfreight volumes.



## CULTURE

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

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



## CUSTOMER

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

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



## COMMUNITY

*We contribute to regional prosperity.*

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



## COMMERCIAL

*We are a financially sustainable business enabling long-term success.*

- We maintain and develop core infrastructure that is business critical.
- We diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical income activities.





# SUMMARY OF STATEMENT OF EXPECTATIONS

PNAL received a Statement of Expectations from PNCC, dated 21 November 2024. The below summarises how PNAL intends to meet these expectations and provides a reference to where further information may be found.

Shareholder Expectation			
OUTLINE PRINCIPLES AND KEY OBJECTIVES		GOVERNANCE AND ENGAGEMENT	
Response	<ul style="list-style-type: none"> <li>PNAL’s purpose statement reads <i>Launching our communities into a promising future</i> while our vision is to be <i>New Zealand’s leading regional airport</i>.</li> <li>PNAL’s strategic objectives are categorised within “the Five C’s”: Culture, Customer, Community, Commercial and Compliance.</li> </ul>	<ul style="list-style-type: none"> <li>The Board’s approach to governance of PNAL is to preserve and enhance Shareholder value. The Board is committed to ensuring a high level of governance of company processes and policies, including health and safety and encouraging ethical and responsible decision making to ensure Management effectively achieve the Company’s goals.</li> </ul>	
	<p><b>Nature and Scope of Activities</b> • page 03</p> <hr/> <p><b>Strategic Objectives</b> • page 04</p> <hr/> <p><b>Key Objectives</b> • page 24</p> <hr/>	<p><b>Governance</b> • page 38</p> <hr/>	
Deep Dive Section			





## THE AIRPORT AS A COMMERCIAL ENTITY

- Focussed on delivering the terminal redevelopment during the SOI period to ensure business resilience, facilitate sustainable growth in passenger volumes and enhance the customer experience.
- Pursuit of diversification of PNAL's revenue sources with a focus on freight and logistics and aviation tertiary training. This includes the delivery of four commercial developments during the SOI period.
- PNAL is focussed on maintaining appropriate risk policies and prudent financial ratios throughout the SOI, to ensure risk and opportunities are well balanced.
- PNAL's funding constraints will (for the short-medium term) be resolved via a third-party debt raise in FY25. While not a permanent funding solution, this enables the acceleration of key commercial developments during the SOI period, without recourse to the Shareholder for additional funding.
- Consideration of appropriate joint venture partners will also continue to further accelerate Ruapehu Aeropark development.
- PNAL will continue to consider divestment of non-strategic land to further release capital for reinvestment in the Aeropark.
- PNAL is committed to meeting the specified dividend expectations of the Shareholder, subject to meeting statutory tests.

**Terminal Development Project** • page 12

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**Ruapehu Aeropark/Income Diversification** • page 18

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**Performance metric targets** • page 22

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**PNAL capital and debt funding** • page 21

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**Financial statement forecasts** • page 28 – 34

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**Dividend policy** – page 37

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# SUMMARY OF STATEMENT OF EXPECTATIONS

Shareholder Expectation	PROVISION OF LINE OF CREDIT	ENVIRONMENTAL IMPACTS
Response	<ul style="list-style-type: none"> <li>• PNAL has not sought, and continues not to seek, any further equity from the Shareholder. In contrast, PNAL has sought to meet the Shareholder expectation that dividends are prioritised alongside capital investment in Ruapehu Aeropark.</li> <li>• PNAL debt facility with the Shareholder, with a facility limit of \$50m. This loan includes PNAL paying a fair market margin to the Shareholder for this facility as well as paying the interest costs incurred by the Shareholder in making this facility available.</li> <li>• PNAL's forecast financial statements outline PNAL's three year projections, which illustrate PNAL will remain profitable and capable of servicing its own debt. This includes the ability to service an expanded (third party) debt facility, in order to accelerate Ruapehu Aeropark development.</li> </ul>	<ul style="list-style-type: none"> <li>• PNAL recognise PNCC's goal of achieving a 44% reduction in greenhouse gas emissions per capita in Palmerston North (from the 2016/17 baseline) by 2034.</li> <li>• PNAL have contributed to, and exceeded this target already, with Scope 1 and 2 emissions currently 80% below PNAL's 2022 baseline.</li> <li>• PNAL's objective is to reach net zero emissions by 2035.</li> <li>• Scope 3 emission reductions remain a focus for PNAL going forward.</li> <li>• PNAL have achieved Level 4 ("Transformation") of the Airport Carbon Accreditation programme and remain committed to achieving at least this level going forward.</li> </ul>
Deep Dive Section	<p><b>Performance metric targets</b> • page 22</p> <hr/> <p><b>PNAL capital and debt funding</b> • page 21</p> <hr/> <p><b>Financial statement forecasts</b> • page 28 – 34</p> <hr/> <p><b>Dividend policy</b> • page 37</p> <hr/>	<p><b>Our Environment</b> • page 15</p> <hr/>



## OPERATIONAL CAPACITY

- Maintaining PNAL's social licence to operate is critical to PNAL's success.
- With 24/7 operations and our role within Te Utanganui, compliance with ground and air noise provisions within the District Plan are of great importance to PNAL. As well as this, protections associated with Obstacle Limitation Surfaces (OLS) and Runway End Protection Areas (REPA) remain an area of focus.
- Investment in our community further helps to preserve this social licence.
- PNAL remains focussed on sustainable growth in aeronautical activities. This includes passenger, airfreight, aviation tertiary training (including Halls of Residence) and aeromedical/patient transfers.

**One Team • page 14**

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**Our Community • page 14**

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**Air Service Development • page 18**

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**Health, Safety & Security • page 19**

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**District Plan • page 19**

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**Ruapehu Aeropark / Income Diversification /  
Te Utanganui • page 18**

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## CONSISTENCY WITH WIDER OBJECTIVES OF COUNCIL

- Within the Shareholder's broader strategic interests, PNAL recognises the important role it plays within the development of Te Utanganui.
- PNAL will continue to play its role in developing freight and logistics opportunities within Ruapehu Aeropark and collaborating with other key partners.
- Alignment with the Shareholder's Small City Benefits, Big City Ambition, including supporting PNCC's four goals of an Innovative & Growing City, a Creative & Exciting City, a Connected & Safe Community and a Sustainable & Resilient City.

**Ruapehu Aeropark / Income Diversification /  
Te Utanganui • page 18**

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**Alignment with PNCC Goals and Vision •  
page 10**

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# ALIGNMENT WITH PNCC VISION AND GOALS

The following table summarises how this SOI aligns with PNCC’s vision of Small City Benefits, Big City Ambition in respect of the four goals:

PNCC Goals	PNCC Outcomes	PNAL SOI Alignment
<b>AN INNOVATIVE AND GROWING CITY</b>	<ul style="list-style-type: none"> <li>• A city that fosters pride, and supports the aspirations of people and communities.</li> <li>• A business environment that encourages investment and delivers career opportunities in a range of sectors.</li> <li>• Enough land and infrastructure to enable housing development and business growth.</li> <li>• The efficient movement of goods and services alongside safe and affordable transport options for people.</li> <li>• A globally connected city that fosters opportunities for local people, businesses and organisations.</li> <li>• An economy that embraces innovation and new ideas and uses resources sustainably.</li> <li>• A resilient, low carbon economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Terminal Development Project.</li> <li>• Ruapehu Aeropark Development, including freight and logistics warehousing, support for aviation tertiary training and aeromedical facilities.</li> <li>• Active partner and advocate for Te Utanganui.</li> <li>• Air service development, including planned introduction of jet service on the Auckland – Palmerston North route.</li> <li>• Sustainable dividend returns to the Shareholder for investment elsewhere in the City.</li> </ul>
<b>A CREATIVE AND EXCITING CITY</b>	<ul style="list-style-type: none"> <li>• A vibrant city that connects people and where creativity is built into our cityscape.</li> <li>• An arts community and cultural facilities that are well supported and invested in.</li> <li>• Our unique heritage preserved and promoted.</li> <li>• Opportunities to celebrate our many cultures.</li> <li>• Access to exciting well-managed events and activities throughout the city and our neighbourhoods.</li> <li>• Places across the city and its neighbourhoods for communities to participate in play and recreation.</li> </ul>	<ul style="list-style-type: none"> <li>• Core community engagement and sponsorship, including with: <ul style="list-style-type: none"> <li>• Fly Palmy Arena</li> <li>• Just Zilch</li> <li>• Wildbase</li> <li>• Centrepont Theatre</li> </ul> </li> <li>• Our special relationship with Rangitāne o Manawatū and Te Rangimarie Marae, including Rangatahi career pathways.</li> <li>• Wider support and promotion within the 90 minute drive market of the airport.</li> </ul>



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## A CONNECTED AND SAFE COMMUNITY

- Access to services and facilities that are inclusive and appropriate for their needs.
- The support they want to live healthy lives.
- Access to healthy and affordable housing.
- Opportunities to contribute to the design of their city.
- Access to safe and accessible community places.
- Opportunities to contribute to Council decision-making.
- Community social service groups and facilities that are well supported and invested in.
- Terminal development, including co-design with Rangitāne, Sister City recognition and celebration of the history of the airport.
- Investments in key infrastructure, including airside pavements, landside infrastructure and customer experience enhancements (e.g. improved all weather cover within carparks).

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## A SUSTAINABLE AND RESILIENT CITY

- A sustainable, low-emissions city.
- A resilient city and communities, prepared for the impacts of climate change.
- A circular economy with more resource recovery and less waste.
- A healthy, thriving ecosystem, including native biodiversity and food security.
- The Manawatū River and waterways restored to a healthy, respected and connected state.
- Sustainable urban planning with a low-carbon built environment.
- A safe, affordable, sustainable and resilient water supply.
- Effective, low-carbon, wastewater collection and treatment.
- Appropriate infrastructure and development to avoid and minimise the effects of flood events.
- Access to relevant information and education to support more sustainable choices.
- Natural, environment-focussed community groups and facilities that are well supported and invested in.
- Participation in Airport Council International Airport Carbon Accreditation Programme and achievement of at least Level 4 ("Transformation") on an ongoing basis.
- Achieving PNAL's objective to reach net zero emissions by 2035.
- Scope 1 and 2 emissions currently 80% below PNAL's 2022 baseline.
- Implementation of carbon stakeholder plan, including assisting key stakeholders to reduce emissions (reduction in PNAL's Scope 3 emissions).
- Maintaining Qualmark Gold status.

# TERMINAL DEVELOPMENT PROJECT (TDP)

During the SOI period, PNAL will complete its terminal redevelopment, representing the largest capital investment ever completed by the Company.

While the thirty-year-old terminal has held us in good stead through major periods of growth, with earlier refits extending its useful life, it is no longer fit for purpose. The 5,000 m<sup>2</sup> new build modular terminal facility will ensure the Company is able to meet Shareholder expectations by future proofing the facility and addressing seismic, operational, and growth deficiencies associated with the present terminal. This includes enabling the introduction of passenger and hold-bag screening should screening become mandatory at regional airports, or as a consequence of the reintroduction of larger gauge aircraft / jet services.

As construction of the new terminal is on the same site as the existing building, a two-staged build will be undertaken. PNAL remains focussed on limiting the inevitable disruption during the two-year build, with considerable emphasis placed on ensuring the temporary terminal is fit for purpose. Ongoing communication and wayfinding will also play a key role.

At the time of preparing the final SOI, PNAL had just entered the delivery phase of the Terminal Development Project. In May 2025, the PNAL Board approved the final cost of \$43.4 million (plus contingency) and appointed LT McGuinness as the main contractor for the project. Following this decision, the temporary terminal became operational on Wednesday 21st May 2025 to allow for Stage 1 of demolition and construction to begin.

With demolition and construction now underway, the focus shifts to programme delivery, cost management, maintaining efficient and safe terminal operations, and continued communications with all stakeholders.

Construction of Stage 1 of the new terminal is scheduled for completion mid 2026. Stage 2 will then follow, due for completion in mid 2027.

## Terminal Cost

The revised budget for the new terminal facility is \$43.4 million plus contingency, compared to an original 2023 concept design estimate of approximately \$40 million.

After careful consideration, balancing the need for the new terminal to functionally perform, resilience, and aesthetics against cost and value for money, a range of design enhancements have been approved by the PNAL Board over the course of the design program since the concept was first developed and costed. It was recognised that these enhancements would have an impact on project cost. Material items included:

- Raising the floor level of the terminal building by 210mm to protect against 1 in 100 year flood risks, including a 20% allowance for climate change intensity.
- Increasing the terminal floor area by 119m<sup>2</sup> to improve the layout and functionality of the arrivals area.
- The selection of laminated timber beams for public facing to improve aesthetics.
- Extending the airside wind lobby the full length of the terminal building to enhance weather protection for arriving & departing passengers.

In order to maintain cost control, peer reviews were conducted throughout design to ensure appropriate processes were followed and that costs were reasonable. Additionally, value engineering by the project control group continued throughout the design program, including at the conclusion of design when the tendered price was received from LTs.



Examples of cost savings identified through the design period and post-tender include:

- Adoption of a coresteel structure to replace structural steel.
- Simplification of the landside canopy design.
- Simplification of ceiling treatments in selected areas of the terminal.
- Substitution of materials.
- Re-use of existing HVAC plant from the current terminal.
- Re-use of fixtures & fittings.

Value engineering will continue throughout the duration of construction.

PNAL had the opportunity to source TDP funding from commercial lenders, however PNAL has chosen to enter into a commercial lending arrangement with Council. Under this agreement, Council borrow funds at preferential interest rates and on-lend those funds to PNAL. PNAL pays back the loan principal and interest, including a fair market margin, from its revenue generating activities, thereby generating a cash return to Council.

PNAL reintroduced dividend payments to PNCC in FY24 and are forecasted to exceed pre-Covid levels by FY27. As with any commercial loan, interest payments can reduce profit levels, which may in turn reduce dividend payments. However, given this loan is being used to fund revenue generating activities (e.g. aeronautical charges and lease income), there should be no adverse impact on future dividend flows as a result of the terminal development.



# KAITIAKITANGA GUARDIANSHIP

## WHĀNAU KOTAHI / ONE TEAM

Our highly skilled team are our most valuable asset. We will continue to develop our Whānau Kotahi / One Team wellness program to further enhance team culture and engagement and the overall employee experience.

Whānau Kotahi / One Team, now in its fifth year of existence, improves the ability of PNAL to support both team and individual wellbeing and keep this at the forefront of all activities, ultimately increasing personal health levels, teamwork, engagement, and productivity. These benefits contribute to our employee value proposition (EVP) and expect to have a flow-on effect of improved attraction and retention of our people. It provides a structure for existing and new initiatives, with opportunities for our people to contribute directly to the plan's evolution.

The objectives of the wellness program include;

- Improving the wellbeing of team members (employees and volunteers) with the associated positive flow-on benefits in physical and mental health, team member engagement, and improved people retention and productivity.
- Meeting the intent of PNAL's Culture and Health, Safety and Wellness Policy objectives.
- Fostering diversity and inclusivity, and providing opportunities to grow and develop through increased knowledge of wellness.
- Being achievable, sustainable and cost-effective.
- Encouraging creativity, vision, and an openness for change and development.
- Contributing to PNAL being an employer of choice.

## OUR COMMUNITY

At the heart of everything we do is our community, whose support we do not take for granted. We understand that an airport is more than just a place to catch flights—it's a gateway that connects people, supports local businesses, and showcases the character of our region. We're committed to fostering an environment that reflects the values and diversity of our community, ensuring every airport user feels welcomed and every business has opportunities to thrive.

In addition to Palmerston North and the Manawātū, our airport catchment includes Whanganui, Ruapehu, Rangitikei, the Horowhenua, Kāpiti Coast, Southern Hawke's Bay, Tararua and Wairarapa. We will continue to strengthen the relationship with what we refer to affectionately as our 90-minute drive market. This includes working closely with Regional Tourism Organisations (RTOs) and other regionally based organisations on joint initiatives to promote sustainable tourism, enhance regional connectivity, and support economic recovery and growth. By aligning our efforts with regional priorities and leveraging shared opportunities, we aim to create synergies that benefit local businesses, communities, and travellers alike.

A key focus remains working with our mana whenua Rangitāne whose ongoing support we gratefully acknowledge. While our focus to date has been on the co-design of the new terminal facility, we will now engage with Rangitāne on how Rangatahi could become involved in the TDP construction program via the main contractor. We will also continue to develop our medium term plan of creating aviation career pathways for Rangatahi.

## OUR ENVIRONMENT

Sustainability is deeply embedded in our vision, and during this Statement of Intent period, we are committed to driving further progress through key initiatives that support environmental responsibility.

Retaining our Level 4 Airport Carbon Accreditation is a critical priority, showcasing our leadership in managing and reducing carbon emissions and affirming our commitment to global climate goals. We are equally focused on reducing the emissions generated by the TDP, ensuring the use of sustainable building materials and implementing energy-efficient technologies throughout the design and construction process.

The new airport terminal will incorporate a range of sustainability initiatives designed to minimise environmental impact and promote long-term resource efficiency.

The terminal will be equipped with energy-saving systems, including high-efficiency HVAC systems to reduce carbon emissions, and extensive use of natural lighting and LED technology to lower energy consumption.

Sustainable building materials, such as timber and steel fibre reinforcing, are also being prioritised during construction.

A revised carbon life cycle analysis is planned to be undertaken on the final terminal design. This analysis will provide a comprehensive evaluation of the carbon emissions associated with the materials, construction, and operational phases of the terminal and enable PNAL to fully explain to stakeholders the journey we have been on to minimise the environmental impact of the new terminal.

In addition to our internal efforts, we recognise the importance of collaboration with industry stakeholders. A requirement of Level 4 Airport Carbon Accreditation is third party engagement on Scope 3 emissions. We will continue to actively engage with our tenants, providing guidance and support to help them reduce their operational emissions, thereby aligning with our goals to reduce Scope 3 emissions. Furthermore, we will continue to work closely with the airlines operating at our airport as they navigate their own sustainability journeys by playing our part in understanding and planning for the infrastructure requirements necessary for next generation aircraft operations.

These initiatives reflect our commitment to addressing the challenges of climate change and supporting a sustainable aviation industry.





# MANAAKITANGA *CUSTOMER EXPERIENCE*

## **CUSTOMER EXPERIENCE MAINTENANCE**

Delivering an exceptional customer experience remains a central focus of our operations and planning. We are committed to maintaining our high standards of service and customer experience throughout the duration of the terminal development project. This commitment means prioritising efficient passenger flows, well-maintained facilities and clear customer communication and wayfinding. Our commitment to customer service excellence extends to our frontline teams, with plans to provide additional training to ensure our team is equipped to deliver warm, professional, and personalised service at every touchpoint. We will also be focussed on maintaining our Qualmark Gold certification.

Customer facing infrastructure to be delivered during this SOI period, aside from the TDP, include the construction of covered walkways from the Long Stay to General Carpark and within the Oversize carpark.





# INFRASTRUCTURE

## AIRSIDE/LANDSIDE PROJECTS

A total of \$4.5m is planned to be spent over the SOI on the ongoing upgrade of critical airside infrastructure, primarily pavement upgrades. In addition, \$7.1m is anticipated to be spent over the three-year SOI on landside infrastructure, property, plant & equipment and other assets. These primarily focus on customer enhancements in the carpark discussed above, water main upgrades, and other end of life asset replacements/renewals.

Beyond the SOI period, a reseal of the runway surface has been identified. This is planned to occur over three financial years at an estimated total cost of \$15m, which remains subject to design finalisation. The exact timing of the reseal is subject to ongoing runway condition assessments.

# COMMERCIAL

## AIR SERVICE DEVELOPMENT

Passenger movements are projected to grow modestly during the three-year SOI period to 556,000 passenger movements by FY28, reflecting ongoing subdued demand for air travel, anticipated ongoing capacity constraints, and international and domestic economic uncertainty. This includes an expectation of essentially flat growth in FY26, the first year of the SOI (530,100 passengers)

We do, however, continue to view air service development with a strategic mindset and look beyond the short-term projections. Work continues on the A320 pathway project with the objective of ultimately achieving the re-introduction of jet services or larger gauge aircraft on the Auckland - Palmerston North route as a means of reducing aircraft congestion during the morning peak departure time, whilst maintaining sufficient frequency across the day for our travellers.

This SOI has been prepared on the assumption that a jet service during peak business hours on weekdays will commence on the Auckland-Palmerston North route from mid 2027, after completion of the terminal redevelopment.

## RUAPEHU AEROPARK / INCOME DIVERSIFICATION / TE UTANGANUI

The Company is the custodian of a vital component of the economic infrastructure of the City and region, with an associated long-term capital-intensive development and investment program. Ongoing funding of asset regeneration therefore remains a key priority.

Income diversification is therefore a strategy that the Company will continue to deploy as a means of mitigating against future downturns in aviation and the associated impact on aeronautical income levels and consequently our ability to continue to fund core operations and re-invest in core infrastructure.

In connection with this objective the Company will also continue to play its role in the development of Te Utanganui - The Central New Zealand Distribution Hub through the ongoing development of passenger services, airfreight and associated logistics and amenity activities within Ruapehu Aeropark at Palmerston North Airport.

Commercial development within Ruapehu Aeropark is therefore a critical component of the Company's investment plans, enabling the achievement of income diversification and airfreight and logistics related activity including the development of Te Utanganui.

Commercial development is demand/tenant led. Given the level of capital required, commercial developments will only progress on the basis that each opportunity meets business case hurdles and receives endorsement from the PNAL Board.

New Zealand is currently at a low point in the economic cycle, with high development costs, low growth and low demand for commercial property. Notwithstanding the present economic climate, commercial opportunities being pursued during this SOI period include a freight and logistics warehousing facility, premises for aeromedical operators, rental car facilities and supporting facilities for Massey School of Aviation. Various other feasibility, preparatory and consenting works for developments in Ruapehu Aeropark will also continue during the SOI period.

Altogether, the prioritised commercial developments represent the maximum funding available to the Company to invest during the SOI period, being ~\$27.4m. Remaining debt capacity is allocated towards the TDP, other related capital projects and the planned capital investment on airside assets beyond the SOI period.

Divestment of non-strategic land has also been contemplated in this SOI, with a net-gain of \$3m reflected in FY28 in respect of an assumed divestment of non-strategic land. The timing and quantum of any non-strategic land sales is yet to be confirmed.



# COMPLIANCE

## HEALTH, SAFETY & SECURITY

Underlying all activity is the Company's core focus on keeping all airport users safe. During the SOI period we will continue to foster a strong aerodrome-wide safety culture, and further refine PNAL's Safety Management System, linked to an enhanced security culture. The fourth annual external SMS audit will occur in FY26.

The Company will also be working very closely with the main contractor to ensure our high levels of health, safety and security are maintained during the terminal demolition and rebuild period.

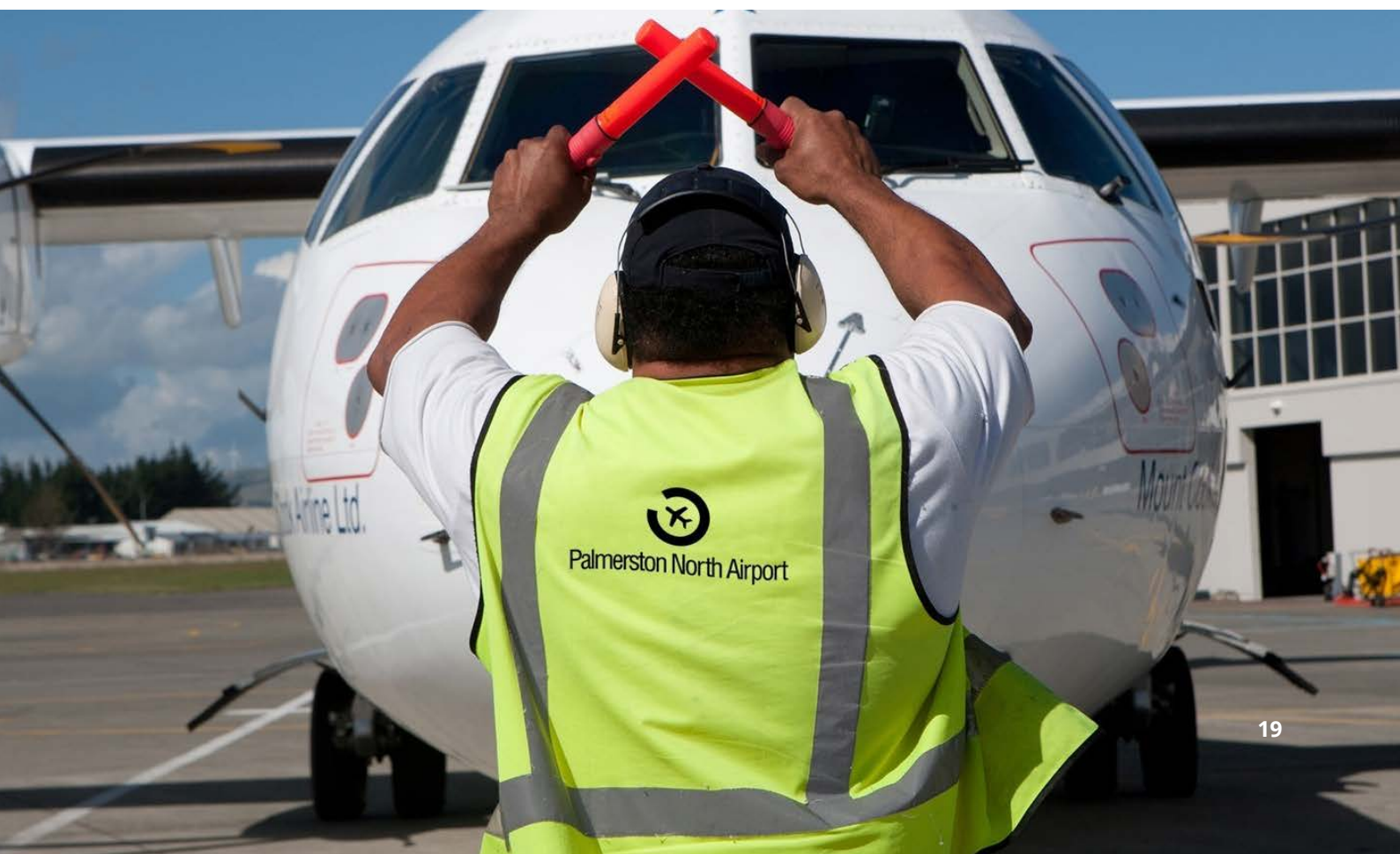
## DISTRICT PLAN

With the benefit of curfew-free operations, and because of the prime location of the airport and the proximity to both the residential area and to the CBD, the Company recognises the importance of ensuring noise emissions from aircraft and ground operations are managed

within District Plan limits. Work will therefore continue on noise management compliance in accordance with the Company's Noise Management Plan.

With regards Palmerston North Airport obstacle control, a work package will commence to ensure there are appropriate control measures in place for adequate protection of the airport's Obstacle Limitation Surfaces (OLS). This will include changes being requested to the Manawātū and Tararua District Plans, as well as a review of the Palmerston North District Plan OLS detail.

Urban encroachment in close proximity to the aerodrome's boundaries, especially within the Runway Extension Protection Area (REPA) at each end of the runway, will also remain a feature of our activity designed to maintain public safety, safeguard existing curfew free operations and to facilitate sustainable growth in Airservices as we fulfil obligations to our Shareholder and play a key role within the development of Te Utanganui.



# FINANCIAL PERFORMANCE TARGETS

## PASSENGER MOVEMENTS

FY26 passenger movements are assumed to be flat relative to FY25 (current year), grow at a modest 1.3% in year two, and increase by 3.5% in year three. Passenger movements therefore grow to 556,000, by FY28.

## INCOME

Notwithstanding the income diversification program outlined in this SOI, the primary contributor to income projections throughout the SOI period remains aeronautical and carparking revenue, given required lead-in times in developing alternative income streams. Land and building lease income grows in Year 3 of this SOI as the next phase of Ruapehu Aeropark developments is completed and tenancies commence. A divestment of non-strategic land (\$3m gain) is also assumed in Year 3 of the SOI, with the timing and quantum to be confirmed.

Budgeted income for FY26 of \$17.92m represents an increase of \$1.0m or 5% on the FY25 forecast, driven by growth in aeronautical and carparking revenue.

## OPERATING COSTS

Total costs (excl. depreciation, interest, extraordinary items and gain/loss on sale) are projected to increase \$0.89m or 10% to \$10.6m, above the FY25 forecast.

Cost increases are anticipated to occur across multiple cost lines, including maintenance, rates and energy costs. Additional employment costs are also anticipated due to three-yearly mark-to-market adjustments, additional short term resourcing of front line staff during terminal construction, and additional permanent staff within the Rescue Fire Service. Additional

marketing costs are also anticipated with an increased focus on air service development from FY26.

Other cost lines are anticipated to decrease, including consultant fees, which were temporarily elevated in FY25 due to several one-off projects.

Extraordinary items are projected to remain high during FY26 and FY27 (at \$0.97m and \$0.57m respectively) before dropping to nil from FY28. Extraordinary items relate to the expensing of terminal demolition costs in two stages and some of the costs associated with the temporary terminal during construction.

From FY25, PFAS management related expenditure has been removed from Extraordinary Items, and reclassified as Administration Expenditure, reflecting the normalisation of these costs within the business. This has elevated administration expenditure, but is offset by a reduction in extraordinary items.

## CAPEX

The FY26-FY28 capital expenditure budget of \$74.9m is focused on the completion of the TDP (\$35.9m across the SOI period) and the delivery of developments in Ruapehu Aeropark (\$27.4m across the SOI period), as discussed earlier.

PNAL also has an ongoing focus on ensuring an appropriate investment in airside infrastructure renewals (\$4.5m across the SOI period), and landside investments (\$7.1m), which includes water main / firefighting upgrades, construction of covered walkways within the carpark and other asset renewals, also discussed earlier.



# PNAL CAPITAL AND DEBT FUNDING

PNAL's previous two SOI's have highlighted ongoing capital constraints which have limited PNAL's ability to deliver future developments within Ruapehu Aeropark given the capital required for the terminal development.

Notwithstanding the significant capital investment being undertaken PNAL has not sought, and continues not to seek, further equity from the Shareholder. Furthermore, PNAL has committed to reintroduce dividend payments during this capital-intensive period.

PNAL is appreciative of the existing debt facility made available by the Shareholder, which has a facility limit of up to \$50m. As outlined earlier, Council borrow funds at preferential interest rates and on-lend those funds to PNAL. PNAL pays back the loan principal and interest, including a fair market margin, from its revenue generating activities, thereby generating a cash return to Council.

As further equity is not available from the Shareholder, PNAL has sought to self-address capital funding constraints via other mechanisms. PNAL has therefore undertaken a project to assess whether additional third-party debt, alternative structures or equity investment from a third party (or a mixture of the above) appropriately balances risk and opportunity in both the short and medium term.

With support from an external specialist consultant, PNAL has now concluded this project, with the following actions underway:

- Refinancing of PNAL's existing \$15m bank debt facility to raise the facility limit to \$45m (\$30m facility limit increase). This brings PNAL's total debt facilities to \$95m.
- Ongoing exploration of joint venture partnerships in respect of property development in Ruapehu Aeropark.
- Consideration of divestment of non-strategic land, where appropriate, to provide additional cashflow to support property development.

A comprehensive project has been undertaken to reach the conclusion that a \$95m total debt facilities represents an optimal level of debt at this point in time. It has been established based on indicative discussions

with lenders, peer benchmarking and an indicative credit rating analysis.

It has been set at a level which ensures PNAL's credit rating would be considered investment grade (minimum of BBB-) over the medium term, including factoring in downside scenarios to revenue and capital spend. This has ensured that PNAL debt level balances opportunity with an appropriate level of risk.

Debt is preferred over equity at this point in time for several reasons. These include the complexity of implementation, the speed of implementation, quantum of funding available, the flexibility of the use of funds and the required rate of return.

Third party bank debt is currently the preferred approach given the flexibility it offers during drawdown periods. Given current market conditions, and PNAL's capital structure, commercial bank interest rates on the new facility are anticipated to be in line or better than what could otherwise be obtained via the LGFA. LGFA funding structures are more suited to long term core borrowings and may be revisited in due course, once PNAL has completed the planned commercial developments and debt levels stabilise.

While total debt facilities of \$95m are considered sufficient to enable PNAL to achieve the objectives outlined in this SOI, longer term this will not enable the full commercialisation of Ruapehu Aeropark.

Instead, this represents a short-medium term solution while longer term funding models continue to be evaluated. In due course, this may include refinance of debt directly with the LGFA, further third-party debt facilities (e.g. debt/cash recycling upon completion of each project), joint venture projects and/or equity investments with third parties. These options will continue to be explored over the coming years.

Land sales of non-strategic land will continue to be considered, where appropriate, in order to accelerate priority projects (with an assumed sale with a net gain of \$3m included in Year 3 of this SOI).



# PERFORMANCE METRIC TARGETS

FOR 12 MONTHS TO 30 JUNE

	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
Net Debt	\$14.4m	\$40.5m	\$74.4m	\$74.3m
To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$80 million	\$81.7m	\$81.2m	\$82.4m	\$86.4m
Total Debt to Total Debt+Equity ratio	15%	33%	47%	46%
A ratio of surplus before interest/tax/ depreciation/ revaluations to total assets	7%	5%	6%	7%
A ratio of net surplus after tax to consolidated shareholder's funds inclusive of revaluation reserve	0%	(0%)	2%	6%
To maintain a ratio of consolidated shareholder's funds to total assets of at least 40%	75%	60%	49%	50%
To maintain an interest coverage ratio of EBITDA (excl revaluations) to interest of at least 2.5	13.4	5.0	2.8	2.7
Net Debt* / EBITDA less than 4.5 (long term target)	1.9	5.5	8.0	5.9
Funds From Operations (FFO**) / Net Debt greater than 11% (long term target)	49.5%	14.6%	7.0%	7.9%

\*Net Debt equals total borrowings less cash on hand

\*\*FFO equals EBITDA less interest less tax

# DEBT RELATED PERFORMANCE METRICS

PNAL's Performance Metric Targets outlined above include four metrics specific to debt funding. These are:

1. A prudent total debt to total debt + equity ratio;
2. PNAL's debt covenant to maintain an interest coverage ratio of EBITDA to interest of not less than 2.5;
3. A long term target to achieve Net Debt / EBITDA of less than 4.5; and
4. A long term target to achieve FFO / Net Debt greater than 11%.

This SOI contains a significant level of capital spend, most notably in respect of the terminal redevelopment and Ruapehu Aeropark design/builds. As a result, the Company's debt reaches \$74.4m by FY28 (\$40.5m in FY26).

While the forecast FY28 debt level exceeds existing debt facilities, it is well within the total debt facilities of \$95m

available upon conclusion of the banking RFP outlined above and the execution of a non-strategic land sale. PNAL retains a high level of debt headroom to manage any unexpected events.

The above Performance Metric Targets are set based on existing debt facilities. These may change in future years, subject to the lending terms obtained through the banking RFP process.

The long term targets above are anticipated to fall below target levels for the three years due to the substantial capital investment required. Notwithstanding this, the third year of the SOI shows a trend towards achieving these targets, which is expected to occur after the SOI period. These targets are aspirational and linked to medium term credit rating analysis. In any given year, it is expected that these targets may not be achieved.



# KEY OBJECTIVES



## COMPLIANCE

Strategic Project	Measure	Completion
IT infrastructure resilience	Upgrade / installation of key IT infrastructure	FY 2025*
Ongoing SMS development	Complete annual SMS Audit	FY 2026 – FY2028
	Prior SMS audit recommendations adopted/addressed	FY 2025*
Airside pavement upgrades	Critical airside pavement upgrades completed	FY 2026 – FY 2028
Compliance software management	OneReg enhancements	FY 2026 – FY 2028
Obstacle Limitation Surface Management	Completion of Obstacle Limitation (OLS) Survey	FY 2025*
	Interim Airspace Designation included in Manawatū and Tararua District Plans	FY 2026
	Stakeholder engagement and compliance with OLS/ REPA	FY 2026 – FY 2028
PFAS Management	Global consent obtained	FY 2025*
	Ongoing PFAS management and compliance with global consent	FY 2026 – FY 2028
Runway Power & Lighting Asset Acquisition (PLEXIT)	Engagement with Airways on transfer of power and lighting assets to PNAL (PLEXIT)	FY 2026
	Execution of PLEXIT asset acquisition	FY 2027
Rescue Fire Task Resource Analysis (TRA)	Confirm TRA outcomes on RFS resourcing levels	FY 2025*
	TRA recommendations adopted/addressed	FY 2026





## CUSTOMER

Strategic Project	Measure	Completion
Terminal Development Project	Detailed design complete	Mid CY2025
	Stage 1 (Western end) construction complete	Mid CY2026
	Stage 2 (Eastern end) construction complete	Mid CY2027
Customer Loyalty	TDP customer service operations plan implemented	FY 2026 – FY 2027
	Net Promotor Score as close as reasonably practical to the greater of tourism industry benchmark or 45.	FY 2026 – FY 2028
	Brand refresh – corporate & consumer	FY 2027
Carpark upgrades products and systems	Covered walkway – Longstay to General carpark	FY 2027
	Covered walkway – Oversize carpark	FY 2028



## COMMUNITY

Strategic Project	Measure	Completion
Sustainability	Airport Carbon Accreditation Level 4 maintained	FY 2026
	Refresh sustainability strategy	FY2026
	Tenant stakeholder engagement plan implemented (Scope 3 emissions focus)	FY 2026 – FY 2028
	Solar feasibility study completed	FY2026
	Development of TDP sustainability targets and implementation	FY2026 – FY2028
Community Engagement	Community Engagement Plan implemented	FY 2026
	Marketing initiatives with Regional Tourism Organisations (RTO) implemented	FY2026 – FY2028
Sponsorship Strategy	Strategy refreshed	FY 2025*
	Strategy implemented	FY 2026 – FY 2028



## CULTURE

Strategic Project	Measure	Completion
Continual improvement of aerodrome safety culture	Zero lost time injuries	FY 2026 – FY 2028
	Improved aerodrome safety culture scores	FY 2026 – FY 2028
	SMS Maturity level assessed as “Effective” (currently “Operating”)	FY2025*
Whānau Kotahi / One Team Wellness Plan	Wellness Plan updated annually and implemented	FY 2026 – FY 2028
	Team engagement scores in line with or exceeding industry benchmarks	FY 2026 – FY 2028
Payroll/ HRIS system	Implementation of a new payroll system	FY 2025*
	Implementation of HRIS system including performance reviews	FY 2026 (Q1)



## COMMERCIAL

Strategic Project	Measure	Completion
Air New Zealand A320 Pathway and regional air service development	Memorandum of Understanding (MOU) in place with Air NZ/CEDA	FY 2025*
	Regional air service development feasibility	FY 2026 – FY 2028
	Target launch of jet services on Auckland – Palmerston North route	Late CY2027
Medical Apron extension (MAX) feasibility	Complete feasibility studies	FY 2027
Ruapehu Aeropark – funding solution	Solution identified and in place	FY 2025*
	Funding accessible	FY 2026 (Q1)
	Joint Venture partner investigations	FY 2025* – FY 2028
Ruapehu Aeropark – commercial developments	Progress planned developments with focus on freight & logistics, premises for aeromedical operators, rental car precinct, Massey School of Aviation support premises.	FY 2025* – FY2028
Passenger movements	528,100	FY 2025*
	530,100	FY 2026
	536,900	FY 2027
	556,000	FY 2028





EXIT

Cafe / Bar  
Device Charging Stations

EXIT

Car Park / Taxi / Shuttle  
Play Stations  
Airport Help / Bus / Rideshare  
Air NZ Lounge / Valet Parking



STEP ON  
TO START



# PALMERSTON NORTH AIRPORT LIMITED

## STATEMENT OF FINANCIAL PERFORMANCE

For the 12 Months to 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
Aeronautical Charges	12,122,056	11,416,188	12,488,201	13,442,570	14,630,841
Carpark and Leases	5,364,587	5,073,942	5,136,812	6,050,991	7,625,744
Other Income	290,591	427,935	296,789	315,627	336,263
<b>Total Income</b>	<b>17,777,234</b>	<b>16,918,065</b>	<b>17,921,802</b>	<b>19,809,188</b>	<b>22,592,848</b>
Operating Expenditure	4,234,194	3,487,764	4,007,800	4,154,975	4,311,526
Administration Expenditure	5,229,635	5,252,424	5,619,842	5,733,217	5,779,403
Extraordinary Items*	1,714,576	419,587	971,210	568,800	-
<b>Total Operating Expenditure</b>	<b>11,178,405</b>	<b>9,159,775</b>	<b>10,598,852</b>	<b>10,456,992</b>	<b>10,090,929</b>
<b>EBITDA</b>	<b>6,598,829</b>	<b>7,758,290</b>	<b>7,322,950</b>	<b>9,352,196</b>	<b>12,501,919</b>
(Gain)/Loss on Sale	-	15,594	-	-	(3,000,000)
Depreciation & Amortisation	8,000,482	6,974,732	6,038,182	3,203,157	3,659,291
<b>EBIT</b>	<b>(1,401,653)</b>	<b>767,964</b>	<b>1,284,768</b>	<b>6,149,039</b>	<b>11,842,628</b>
Interest Expense	1,177,678	578,845	1,467,666	3,345,467	4,614,353
<b>Profit before Income Tax</b>	<b>(2,579,331)</b>	<b>189,119</b>	<b>(182,898)</b>	<b>2,803,572</b>	<b>7,228,275</b>
Income Tax Expense	(722,212)	52,954	(51,212)	785,000	2,023,917
<b>Net Profit after Tax</b>	<b>(1,857,119)</b>	<b>136,165</b>	<b>(131,686)</b>	<b>2,018,572</b>	<b>5,204,358</b>

\* The Extraordinary Items from FY26 relate to demolition costs associated with the existing terminal and/or some temporary terminal costs.  
The impact of revaluations has not been included in the Statement of Financial Performance

# PALMERSTON NORTH AIRPORT LIMITED

## STATEMENT OF FINANCIAL POSITION

As At 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
<b>Current Assets</b>					
Bank Accounts	56,213	52,346	57,896	49,716	53,776
Receivables	1,746,199	1,536,874	1,670,590	1,889,136	2,207,502
Prepayments	556,156	15,482	32,610	65,170	91,186
Other Current Assets	240,580	197,161	197,161	197,161	197,161
<b>Total Current Assets</b>	<b>2,599,148</b>	<b>1,801,863</b>	<b>1,958,257</b>	<b>2,201,183</b>	<b>2,549,626</b>
<b>Non Current Assets</b>					
Tangible Assets					
Land	32,855,065	30,937,931	30,937,931	30,937,931	30,837,931
Buildings	36,169,881	17,030,941	44,627,321	76,081,874	80,842,291
Infrastructural – Land	12,532,093	9,208,975	9,853,348	10,518,350	11,308,349
Infrastructural – Air	39,252,097	39,593,436	40,043,436	43,088,432	44,113,428
Plant & Equipment	4,150,985	3,417,325	2,563,783	3,393,783	3,513,783
Furniture & Fittings	422,664	257,930	340,430	440,430	480,430
Computers	448,121	341,585	381,585	421,585	461,585
Motor Vehicles	1,560,876	1,560,876	1,560,876	1,560,876	1,560,876
Investment Property	15,400,000	15,329,500	15,329,500	15,329,500	15,329,500
Accumulated Depreciation	(14,264,983)	(10,720,377)	(12,834,903)	(16,014,263)	(19,645,972)
<b>Total Tangible Assets</b>	<b>128,526,799</b>	<b>106,958,122</b>	<b>132,803,308</b>	<b>165,758,499</b>	<b>168,802,201</b>
Intangible Assets	1,920	1,425	-	76,203	48,622
<b>Total Non Current Assets</b>	<b>128,528,719</b>	<b>106,959,548</b>	<b>132,803,308</b>	<b>165,834,701</b>	<b>168,850,823</b>
<b>TOTAL ASSETS</b>	<b>131,127,866</b>	<b>108,761,410</b>	<b>134,761,564</b>	<b>168,035,885</b>	<b>171,400,449</b>

# PALMERSTON NORTH AIRPORT LIMITED

## STATEMENT OF FINANCIAL POSITION

As At 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
<b>Current Liabilities</b>					
Payables	5,849,733	2,940,478	4,966,933	3,378,200	1,742,278
GST/VAT	(542,493)	(151,394)	(387,475)	(98,204)	210,083
Income Tax	(2,523,961)	(1,062,195)	(2,413,407)	(2,938,407)	(2,169,489)
Loans Payable – Current	-	-	-	-	-
Provisions	665,192	707,862	707,862	707,862	707,862
Other Current Liabilities	204,988	179,771	179,771	179,771	179,771
<b>Total Current Liabilities</b>	<b>3,653,460</b>	<b>2,614,522</b>	<b>3,053,684</b>	<b>1,229,222</b>	<b>670,505</b>
<b>Non Current Liabilities</b>					
Loans Payable – Non Current	34,576,065	14,436,268	40,528,947	74,416,586	74,353,252
Other Non Current Liabilities	9,250,607	9,990,066	9,990,066	9,990,066	9,990,066
<b>Total Non Current Liabilities</b>	<b>43,826,673</b>	<b>24,426,334</b>	<b>50,519,014</b>	<b>84,406,652</b>	<b>84,343,318</b>
<b>TOTAL LIABILITIES</b>	<b>47,480,132</b>	<b>27,040,856</b>	<b>53,572,697</b>	<b>85,635,875</b>	<b>85,013,823</b>
<b>NET ASSETS</b>	<b>83,647,734</b>	<b>81,720,554</b>	<b>81,188,867</b>	<b>82,400,010</b>	<b>86,386,625</b>
<b>Capital and Reserves</b>					
Share Capital	9,380,400	9,380,400	9,380,400	9,380,400	9,380,400
Reserves	47,913,623	46,186,093	46,186,093	46,186,093	46,186,093
Retained Earnings	26,353,711	26,154,061	25,622,374	26,833,517	30,820,132
<b>Total Capital and Reserves</b>	<b>83,647,734</b>	<b>81,720,554</b>	<b>81,188,867</b>	<b>82,400,010</b>	<b>86,386,625</b>
<b>TOTAL EQUITY</b>	<b>83,647,734</b>	<b>81,720,554</b>	<b>81,188,867</b>	<b>82,400,010</b>	<b>86,386,625</b>

The impact of revaluations has not been included in the Statement of Financial Position



# PALMERSTON NORTH AIRPORT LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the 12 months to 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
<b>Equity at the beginning of the year</b>	85,504,851	82,079,388	81,720,554	81,188,867	82,400,010
Asset revaluation reserve movement					
Total Comprehensive Income / Loss	(1,857,120)	136,166	(131,687)	2,018,573	5,204,355
Dividends paid to date	-	(195,000)	-	-	-
Dividends declared*	-	(300,000)	(400,000)	(807,429)	(1,217,743)
<b>Equity at the end of the year</b>	<b>83,647,734</b>	<b>81,720,554</b>	<b>81,188,867</b>	<b>82,400,010</b>	<b>86,386,625</b>

\*Declared dividends are to be paid in the following financial year

# PALMERSTON NORTH AIRPORT LIMITED

## STATEMENT OF CASHFLOWS

For the 12 Months to 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
<b>Cash Flows from Operating Activities</b>					
Cash was provided from:					
Receipts from Customers	20,157,486	21,458,645	20,476,355	22,562,021	25,663,409
Interest Received	-	-	-	-	-
Income Tax Refund	-	-	-	-	-
<b>Operating Cash Inflows</b>	<b>20,157,486</b>	<b>21,458,645</b>	<b>20,476,355</b>	<b>22,562,021</b>	<b>25,663,409</b>
Cash was disbursed to:					
Payment to Suppliers and Employees	9,671,337	15,765,195	6,687,170	7,977,237	12,181,109
Tax Loss Payment to PNCC	-	-	-	-	-
Payment of Income Tax	1,175,000	862,323	1,300,000	1,310,000	1,255,000
Interest Payments	1,177,678	578,845	1,467,666	3,345,467	4,614,353
<b>Operating Cash Outflows</b>	<b>12,024,015</b>	<b>17,206,363</b>	<b>9,454,836</b>	<b>12,632,704</b>	<b>18,050,462</b>
<b>Net Cash Flows from Operating Activities</b>	<b>8,133,471</b>	<b>4,252,282</b>	<b>11,021,519</b>	<b>9,929,317</b>	<b>7,612,947</b>
<b>Cash Flows from Investing Activities</b>					
Cash was provided from:					
Sale of Property Plant and Equipment	-	-	-	-	3,100,000.00
<b>Investing Cash Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,100,000</b>

# PALMERSTON NORTH AIRPORT LIMITED

## STATEMENT OF CASHFLOWS

For the 12 Months to 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
Cash was applied to:					
Acquisitions of Property, Plant & Equipment	31,725,165	9,185,568	36,808,648	43,425,135	9,838,124
Acquisitions of Investment Property	-	-	-	-	-
<b>Investing Cash Outflows</b>	<b>31,725,165</b>	<b>9,185,568</b>	<b>36,808,648</b>	<b>43,425,135</b>	<b>9,838,124</b>
<b>Net Cash Flow from Investing Activities</b>	<b>(31,725,165)</b>	<b>(9,185,568)</b>	<b>(36,808,648)</b>	<b>(43,425,135)</b>	<b>(6,738,124)</b>
<b>Cash Flow from Financing Activities</b>					
Cash was provided from:					
Borrowings	24,020,330	7,931,590	26,092,679	33,887,638	5,512,612
<b>Financing Cash Inflows</b>	<b>24,020,330</b>	<b>7,931,590</b>	<b>26,092,679</b>	<b>33,887,638</b>	<b>5,512,612</b>
Cash was applied to:					
Repayment of Borrowings	298,511	3,912,589	-	-	5,575,946
Payment of Dividends	129,605	195,000	300,000	400,000	807,429
<b>Financing Cash Outflows</b>	<b>428,116</b>	<b>4,107,589</b>	<b>300,000</b>	<b>400,000</b>	<b>6,383,375</b>
<b>Net Cash from Financing Activities</b>	<b>23,592,214</b>	<b>3,824,001</b>	<b>25,792,679</b>	<b>33,487,638</b>	<b>(870,763)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>520</b>	<b>(1,109,285)</b>	<b>5,550</b>	<b>(8,180)</b>	<b>4,060</b>
<b>Cash at Beginning of Year</b>	<b>55,693</b>	<b>1,161,631</b>	<b>52,346</b>	<b>57,896</b>	<b>49,716</b>
<b>Cash at End of Year</b>	<b>56,213</b>	<b>52,346</b>	<b>57,896</b>	<b>49,716</b>	<b>53,776</b>



## CAPITAL EXPENDITURE PROGRAMME

For the 12 months to 30 June

	Jul 24— Jun 25 SOI	Jul 24— Jun 25 Forecast	Jul 25— Jun 26 SOI	Jul 26— Jun 27 SOI	Jul 27— Jun 28 SOI
Land	-	-	-	-	-
Buildings	515,000	465,760	2,904,237	510,000	25,000
Terminal Development	14,029,097	6,925,573	20,375,350	15,512,533	-
Infrastructure – Landside	2,715,000	1,707,903	655,000	665,000	790,000
Infrastructure – Airside	1,080,000	1,510,792	450,000	3,045,000	1,025,000
Plant & Equipment	475,000	364,477	100,000	750,000	100,000
Furniture and Fittings	40,000	40,000	100,000	100,000	40,000
Computers	85,000	89,942	40,000	40,000	40,000
Rescue Fire	20,000	20,000	45,200	80,000	20,000
Ruapehu Aero Park development	11,792,480	224,238	7,212,155	15,432,020	4,735,420
Intangibles	-	-	-	100,000	-
<b>Total Capital Expenditure</b>	<b>30,751,576</b>	<b>11,348,684</b>	<b>31,881,942</b>	<b>36,234,553</b>	<b>6,775,420</b>

## NEW TERMINAL ACCOUNTING TREATMENT ASSUMPTIONS

Important assumptions have been made in this SOI period regarding the accounting treatments applicable to the new terminal development. These assumptions include:

- The timing of the project and required cashflows for the new terminal
- The quantum of spend required for the new terminal
- The allocation of costs between capex and opex
- The accounting treatments applicable to costs associated with the construction of a temporary terminal
- The demolition costs and associated accounting treatment relating to the demolition of the existing terminal
- The timing and quantum of depreciation of assets, including the write-off of the existing terminal assets via accelerated depreciation.

Actual results may vary from the estimates and assumptions included in this SOI and will be subject to annual audit.









# DIVIDEND POLICY

The achievement of the strategic objectives outlined in this Statement of Intent will ensure PNAL is well placed in the medium to long-term to generate enhanced financial returns and to maximise value to our Shareholder through a balance between regional economic and social outcomes, re-investment and dividend distributions.

Notwithstanding the Company's dividend policy, which was refreshed in 2023 (discussed further below), and the financial outlook described in this SOI, the Shareholder has specified their expectations regarding dividends in the Statement of Expectation. PNAL understands this expectation supersedes other expectations, notably planned growth in Ruapehu Aeropark.

Subject to meeting its statutory obligations (e.g. solvency test), PNAL intends to meet this obligation, with dividends being the greater of 40% of net profit after tax (NPAT) or \$400k for FY26. NPAT, such as in FY28, will be adjusted to exclude fair value gains and one-off capital gains (e.g. land sales).

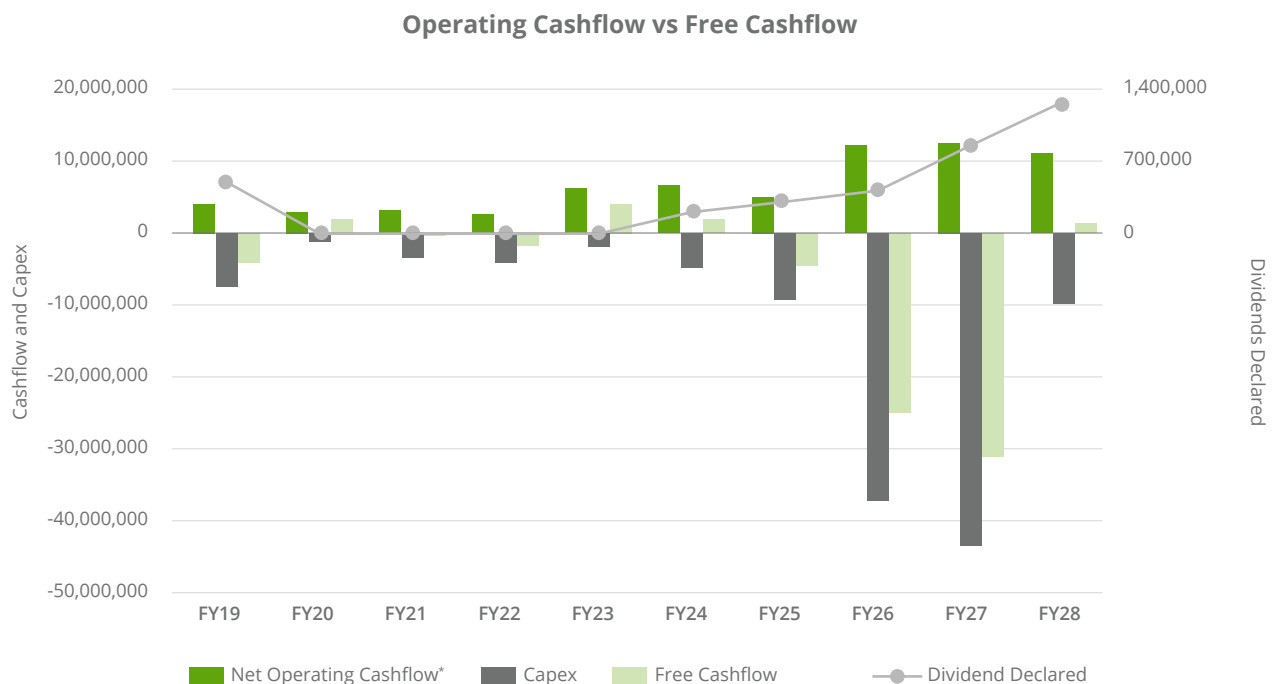
As illustrated below, PNAL's free cashflow (cash available for distribution via dividends or interest, after

deduction of capital expenditure) is highly negative from FY25 to FY27, before improving from FY28.

As such, any dividend payment in these years will be required to be funded from additional debt. Mandatory minimum dividend payments also reduce PNAL's debt raising capacity, limiting the ability to raise further funds for investment in Ruapehu Aeropark.

For completeness of this explanation, PNAL's dividend policy provides Directors with the opportunity to assess a range of criteria before determining an appropriate dividend, including;

1. The scale of the Company's capital expenditure plans including Shareholder expectations,
2. The Company's financial performance including cashflows from operations,
3. The Company's ability to raise debt finance and the terms thereof,
4. Compliance with performance metric targets,
5. The risks associated with airline schedule uncertainty in the short to medium term.



\*Excludes tax adjusted interest

# GOVERNANCE

## GOVERNANCE OBJECTIVES

The Board's approach to governance of PNAL is to preserve and enhance Shareholder value. The Board is committed to ensuring a high level of governance of Company processes and policies, including health and safety and encouraging ethical and responsible decision making to ensure Management effectively achieve the Company's goals.

Due to the ever-changing commercial environment of the aviation and airport industry, the Board is committed to ensuring regular reviews of all aspects of the business and the implementation of best practice.

## REGULATORY FRAMEWORK AND STATEMENT OF INTENT

The Board is responsible for the proper direction and control of PNAL's activities and is accountable to the Shareholder within the strategic framework set out in this Statement of Intent, PNAL's Constitution, and the provisions of the Local Government Act 2002 (LGA), and the Companies Act 1993.

## SHAREHOLDER STATEMENT OF EXPECTATION

The Board is also responsible for ensuring it meets the requirements of the Shareholder's Statement of Expectations dated 21 November 2024 for the three-year period of the Statement of Intent, with particular reference to Schedule 8, Part 2 LGA, Section 64B (1) and 64B (2). Importantly, the Board will ensure alignment of the Company's objectives with the Shareholder's vision, goals and key strategies and the District Plan.

## BOARD COMPOSITION AND FEES

The Board is comprised of five Directors appointed by the Shareholder in accordance with PNAL's Constitution. Director appointments are for a period of three years with retiring directors able to be reappointed by the Shareholder.

The Board normally meets eleven times per year with intervening meetings in person or by other means as required. To enhance efficiency, the Board may formally document and delegate some of its powers and authorities to the Chief Executive or other senior executives.

PNAL has an Audit & Risk Committee (ARC) comprised of three directors of the PNAL Board. The Committee has a board-approved Charter, outlining its membership, authority, primary and secondary roles and reporting procedures.

The ARC meets three to four times each year and is responsible for overseeing the financial accounting, financial statements and audit activities of PNAL. This includes the adequacy and effectiveness of internal controls, external auditor performance, insurances, risk management and financial and accounting policies.

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

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

As requested by the Shareholder, a PNCC Officer has been appointed as an independent observer on the TPDC, who attends discussions relating to the terminal development project.

The total remuneration for the Directors is set annually by a resolution of Shareholders in accordance with the Company's constitution. In line with PNCC's Appointment of Directors Policy, the remuneration of PNAL's Board members will be adjusted annually by the Labour Cost Index (December quarter). This will apply to PNAL's Directors from 1 July (backdated).

## SHAREHOLDERS EQUITY IN PNAL

PNAL's land, building, and airside infrastructure assets are revalued on a three-yearly cycle, unless warranted earlier. PNAL's land and airside infrastructure were last revalued at 30 June 2022. PNAL's buildings were last revalued at 30 June 2023. Fair value assessments and/or revaluations will be conducted annually at year-end.

PNAL's investment property is revalued annually in line with accounting standards.

Shareholder equity as shown in the Statement of Financial Position as at 30 June 2024 is \$82.08m. The Directors consider that this represents a reasonable estimate of the commercial value of PNAL.

The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 40%. For the purposes of this ratio, 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

Any declared dividend will be considered in respect of PNAL's dividend policy (included in this SOI) and will be calculated exclusive of fair value gains and one-off capital gains (e.g. land sales).

## INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

The Shareholder will receive:

- An Annual Report including audited financial statements within three months of balance date.
- A summary of PNAL's achievements of the Key Objectives and its performance against the metric targets as outlined in this SOI.
- An Interim Report including non-audited financial statements within two months of the end of the first half of the financial year.
- A Statement of Intent submitted for Shareholder consideration in accordance with the Local Government Act 2002.
- Other interim reports as agreed with the Shareholder.

Timeframes for the Interim and Annual Reports are legislative maxima. However, PNAL will meet the reporting and governance requirements of the Shareholder.

## ACCOUNTING POLICIES

The accounting policies adopted by PNAL are consistent with New Zealand's Financial Reporting Standards, with PNAL designated as a Public Benefit Entity (PBE) for financial reporting purposes.

The policies are included in PNAL's Annual Report which is available on PNAL's website: <https://pnairport.co.nz/about-us/#investor-information>.

## FORECAST FINANCIAL STATEMENTS

The financial information contained in the SOI is a forecast for the purposes of the PBE financial reporting standard (FRS) 42. This information may not be appropriate for purposes other than those described. It has been prepared on the basis of assumptions as to future events that PNAL reasonably expects to occur, associated with the actions it reasonably expects to take, as at the date the forecast was prepared. The actual results are likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

## COMPENSATION SOUGHT FROM THE SHAREHOLDER

PNAL acknowledges that the Palmerston North City Council holds shares in PNAL for strategic reasons and that PNAL needs to facilitate the development and promotion of both aeronautical and complementary non-aeronautical business activities. As well as direct benefit to PNAL, this impacts through to the economic development of the city and the wider region.

At the request of the Shareholder, PNAL may undertake activities that are not consistent with normal commercial objectives subject to the Shareholder providing a specific subsidy to meet the full commercial cost for providing such activities.

PNAL anticipates significant future capital investment within this SOI period and will be required to materially increase its debt levels in order to fund this investment. Refer to the separate capital and debt funding section within this SOI for further details.



# STATEMENT OF INTENT

YEAR ENDING  
30 JUNE 2026