

Appendix 4B (not equity accounted)

Half Yearly Report

Name of entity

PNG Air Limited

Company No:

Half Yearly

Preliminary Final

Half year/Financial year ended
(current period)
1-24926

30-Jun-18

For Announcement to the market

Extracts for this report for announcement to market (see note 1)

K'000

Sales (or equivalent operating) revenue (item 1.01)	up/(down)	24%	to	149,676
Abnormal items after tax attributable to shareholders (item 2.5)	gain (loss) of	-	to	
Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders (item 1.26)	up/(down)	74%	to	(3,555)
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up/(down)	74%	to	(3,555)
Extraordinary items after tax attributable to shareholders (item 1.13)	gain (loss) of	-	to	-
Operating profit (loss) and extraordinary items after tax attributable to shareholders (item 1.16)	up/down	74%	to	(3,555)
Dividends (distributions)	Amount per security			
Final Dividend (Preliminary final report only - item 15.4)	n/a			
Interim Dividend (Half yearly report only - item 15.6)	Nil			
Previous corresponding period (Preliminary report - item 15.5; half yearly report - item 15.7)	Nil			
Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)	n/a			
Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:	n/a			

Consolidated profit and loss account (the figures are not equity accounted)

		Current period K'000 Jun 2018	Previous corresponding period K'000 Jun 2017
1.01	Sales (or equivalent operating) revenue	149,676	120,835
1.02	Other revenue	6,269	3,643
1.03	Total revenue	155,945	124,478

1.04	Operating profit (loss) before abnormal items and tax	(3,555)	(12,829)
1.05	Abnormal items before tax (detail in item 2.4)	-	(918)
1.06	Operating profit (loss) before tax (items 1.4 + 1.5)	(3,555)	(13,745)
1.07	Less tax	-	(179)
1.08	Operating profit (loss) after tax but before outside equity interests	(3,555)	(13,924)
1.09	Less outside equity interests	-	-
1.10	Operating profit (loss) after tax attributable to shareholders	(3,555)	(13,924)
1.11	Extraordinary items after tax (detail in item 2.6)	-	-
1.12	Less outside equity interests	-	-
1.13	Extraordinary items after tax attributable to Shareholders	-	-
1.14	Total operating profit (loss) and extraordinary items after tax (items 1.8 + 1.11)	(3,555)	(13,924)
1.15	Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 + 1.12)	-	-
1.16	Operating profit (loss) and extraordinary items after tax attributable to shareholders (items 1.10 + 1.13)	(3,555)	(13,924)
1.17	Retained profits (accumulated losses) at beginning of financial period	(142,943)	(130,308)
1.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description)	nil	nil
1.19	Aggregate of amounts transferred from reserves	162	112
1.20	Total available for appropriation (carried forward)	(146,336)	(144,120)

Consolidated profit and loss account continued

1.20	Total profit available for appropriation (brought forward)	(146,336)	(144,120)
1.21	Dividends provided for or paid	-	-
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	Retained profits (accumulated losses) at end of financial period	(146,336)	(144,120)

Profit restated to exclude amortisation and goodwill

	Current period - K'000 Jun 2018	Previous corresponding period - K'000	
1.24	Operating profit (loss) after tax before outside equity interests (item 1.8) and amortisation of goodwill	(3,555)	(13,924)

1.25	Less (plus) outside equity interests	-	-
1.26	Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	(3,555)	(13,924)

Intangible, abnormal and extraordinary items		Consolidated - current period			
		Before tax K'000	Related tax K'000	Related outside equity interests K'000	Amount(after tax) attributable to shareholders K'000
2.1	Amortisation of goodwill	-	-	-	-
2.2	Amortisation of other Intangibles	-	-	-	-
2.3	Total amortisation of Intangibles	-	-	-	-
2.4	Abnormal items	-	-	-	-
2.5	Total abnormal items	-	-	-	-
2.6	Extraordinary items	-	-	-	-
2.7	Total extraordinary items	-	-	-	-

Comparison of half year profits (Preliminary final report only)		Current year - K'000	Previous year - K'000
3.1	Consolidated operating profit(loss) after tax attributable to shareholders reported for the 1st half year(item1.10 in the half yearly report)	(3,555)	(13,924)
3.2	Consolidated operating profit(loss) after tax attributable to shareholders for the 2nd half year	n/a	n/a

Consolidated balance sheet
(see note 5)

		At end of current period K'000	As shown in last annual report K'000	As in last half yearly report K'000
Current assets				
4.1	Cash	2,915	557	421
4.2	Receivables	23,311	25,231	21,694
4.3	Investments	-	-	-
4.4	Inventories	14,694	13,487	12,479
4.5	Other (provide details if material)	49,544	41,931	37,109
	Assets classified as held for sale	5,079	6,341	6,563
	Lease incentive assets	-	-	3,767
	Prepayments	44,465	35,590	26,779
4.6	Total current assets	90,464	81,206	71,703
Non-current assets				

4.7	Receivables	-	-	-
4.8	Investments	-	-	-
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure capitalised (IFRS 6)	n/a	n/a	n/a
4.11	Development properties (mining entities)	n/a	n/a	n/a
4.12	Other property, plant and equipment (net)	136,827	133,844	136,750
4.13	Intangibles (net)	-	-	-
4.14	Other(provide details if material)	62,176	59,915	53,006
	Deferred tax assets	36,049	33,994	34,877
	Aircraft lease deposits	26,127	25,921	18,129
4.15	Total non current assets	199,003	193,759	189,756
4.16	Total assets	289,467	274,965	261,459
	Current Liabilities			
4.17	Accounts payable	64,914	58,219	72,289
4.18	Borrowings	26,360	21,520	38,547
4.19	Provisions	37,173	27,746	19,300
4.20	Other(provide details if material)	39,959	39,691	26,806
	Unavailed revenue	25,436	24,160	15,436
	Liabilities associated with assets held for sale	-	3,214	6,274
	Early cancellation fee of lease payable	10,481	8,609	3,257
	Other financial liabilities	4,042	3,707	1,839
4.21	Total current liabilities	168,406	147,175	156,942

Consolidated balance sheet continued

Non-current liabilities

4.22	Accounts payable	-	-	-
4.23	Borrowings	44,444	42,524	25,804
4.24	Provisions	7,488	7,312	6,747
4.25	Other (provide details if material)	66,876	72,133	70,261
	Deferred Income Tax	36,049	34,094	34,979
	Early cancellation fee of lease payable	6,519	11,589	16,612
	Other financial liabilities	24,308	26,450	18,670
4.26	Total non-current liabilities	118,808	121,969	102,812
4.27	Total liabilities	287,214	269,144	259,754
4.28	Net assets	2,253	5,821	1,705
	Equity			

4.29	Capital	147,834	147,834	143,834
4.30	Reserves	755	930	1,991
4.31	Retained profits (accumulated losses)	(146,336)	(142,943)	(144,120)
4.32	Equity attributable to shareholders of the parent entity	2,253	5,821	1,705
4.33	Outside equity interest in controlled entities	-	-	-
4.34	Total Equity	2,253	5,821	1,705
4.35	Preference capital included as part of 4.32	-	-	-

Consolidated statement of cash flows
(see note 6)

	Current period - K'000	Previous corresponding period - K'000
Cash flows related to operating activities		
7.1 Receipts from customers	158,753	122,573
7.2 Payments to suppliers and employees	(155,053)	(143,339)
7.3 Dividends received	-	-
7.4 Interests and other items of similar nature received	-	-
7.5 Interests and other costs of finance paid	(2,290)	(1,814)
7.6 income taxes paid	-	-
7.7 Other (provide details if material)	-	-
7.8 Net operating cash flows	1,410	(22,580)
Cash flows related to Investing activities		
7.9 Payment for purchases of property, plant and equipment	(6,273)	(7,619)
7.10 Proceeds from sale of property, plant and equipment	459	18
7.11 Payment for purchases of equity investments	-	-
7.12 Proceeds from sale of equity investments	-	-
7.13 Loans to other entities	-	-
7.14 Loans repaid by other entities	-	-
7.15 Other (provide details if material)	-	-
7.16 Net investing cash flows	(5,814)	(7,601)
Cash flows related to Financing activities		

7.17	Proceeds from issues of securities (share, options, etc)	-	26,000
7.18	Proceeds from borrowings	4,420	5,000
7.19	Repayments of borrowings	(893)	(2,592)
7.20	Dividends paid	-	-
7.21	Other (provide details if material)	-	-
7.22	Net financing cash flows	3,527	28,408
7.23	Net increase (decrease) in cash held	(877)	(1,773)
7.24	Cash at beginning of period (see reconciliation of cash)	(7,905)	(25,961)
7.25	Exchange rate adjustments to item 7.24	-	-
7.26	Cash at end of period (see reconciliation of cash)	(8,782)	(27,734)

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

Reconciliation of cash		Current period - K'000	Previous corresponding period - K'000
8.1	Cash on hand and at bank	2,915	421
8.2	Deposits at call	-	-
8.3	Bank overdraft	(11,697)	(28,155)
8.4	Other (provide details)	-	-
8.5	Total cash at end of period (item 7.25)	(8,782)	(27,734)

Ratios		Current period	Previous corresponding period
Profit before abnormals and tax/sales			
9.1	Consolidated operating profit (loss) before abnormal items and tax (item 1.04) as a percentage of sales revenue (item 1.01)	-2.37%	-10.62%
Profit tax/equity interests			
9.2	Consolidated operating profit (loss) after tax attributable to shareholders (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.32)	-157.75%	-816.68%

Earnings per security (EPS)		Current period	Previous corresponding period

10.1	Calculation of the following in accordance with IAS 33: Earnings per share		
(a)	Basic EPS	t (1.17)	t (4.60)
(b)	Diluted EPS (If materiality different from(a))	t (1.17)	t (4.60)
(C)	Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	303,000,000	303,000,000

Note:

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NTA Backing (see note 7)

	Current period	Previous corresponding period
11.1	PGK 0.01	PGK 0.01

Details of specific receipts/outlays, revenues/ expenses

	Current period K'000	Previous corresponding period K'000
12.1	-	-
12.2	-	-
12.3	(3,174)	(2,590)
12.4	-	-
12.5	-	-
12.6	(2,597)	(3,079)

Control gained over entities having material effect (See note 8)

13.1	Name of entity (or group of entities)	n/a
13.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was acquired	n/a
13.3	Date from which such profit has been calculated	n/a
13.4	Operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	n/a

Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	n/a
14.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	n/a
14.3	Date to which the profit (loss) in item 14.2 has been calculated	n/a

14.4	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	n/a
14.5	Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	n/a

Reports for industry and geographical segments

See IFRS 8 : Operating Segments

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	n/a
15.2	Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of registrate transfers received up to 5.00pm)	n/a
15.3	If it is a final dividend, has it been declared? (Preliminary final report only)	n/a

Amount per security

		Amount per security	
<i>(Preliminary final report only)</i>			
15.4	Final Dividend: Current year	n/a	
15.5	Previous Year	Nil	
<i>(Half yearly and preliminary final reports)</i>			
15.6	Interim dividend: Current year	Nil	
15.7	Previous Year	Nil	

Total dividend (distribution) per security (interim plus final) (Preliminary final report only)

		Current year	Previous year
15.8	Ordinary securities	Nil	Nil
15.9	Preference securities	n/a	n/a

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities

		Current year K'000	Previous corresponding period - K'000
15.10	Ordinary shares	303,000,000	303,000,000
15.11	Preference Securities	n/a	n/a
15.12	Total	303,000,000	303,000,000

The dividend or distribution plans shown below are in operation

n/a

The last date(s) for receipt of election notices for the dividend or distribution plans

n/a

Any other disclosures in relation to dividends (distributions)

n/a

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate note. See IAS 28: Investments in Associates

Investments in associated entities		Current period K'000	Previous corresponding period - K'000
16.1	Statutory carrying value of investments in associated entities (SCV)	n/a	n/a
16.2	Share of associated entities retained profits and	n/a	n/a
	Retained profits	n/a	n/a
	Reserves	n/a	n/a
16.3	Equity carrying value of investments	n/a	n/a

Material Interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities

Name of entity		Percentage of ownership interest held at end of period or date of disposal		Contribution to operating profit(loss) and extraordinary items after tax (item 1.14)	
		Current period	Previous corresponding Period	Current period - K'000	Previous corresponding Period - K'000
17.1	Equity accounted associated entities	n/a	n/a	Equity accounted	
				n/a	n/a
17.2	Other material interests	n/a	n/a	Not equity accounted (ie part of item 1.14)	
				n/a	n/a

Issued and quoted securities at end of current period

Description includes rates of interest and any redemption or conversion rights together with prices and dates

Category of securities		Number issued	Number quoted	Amount paid per share (toea)	
18.1	Preference securities (description)	n/a	n/a	n/a	
	Issued during current period	n/a	n/a	n/a	
18.3	Ordinary securities	303,000,000	303,000,000	25.50	
18.4	Issued during current period	n/a	n/a	n/a	
18.5	Convertible debt securities (description and conversion factor)	n/a	n/a	n/a	
	Issued during current period	n/a	n/a	n/a	
18.7	Options (descriptions and conversion factor)	n/a	n/a	Exercise price	Expiry date (if any)
18.8	Issued during current period	n/a	n/a	n/a	n/a

18.9	Exercised during current period	n/a	n/a	n/a	n/a
18.10	Expired during current period	n/a	n/a	n/a	n/a
18.11	Debentures (totals only)	n/a	n/a	n/a	n/a
18.12	Unsecured notes (totals only)	n/a	n/a	n/a	n/a

Comments by directors

Comments on the following matters are required by POMSox or, in relation to the half yearly report, by IAS 34: Interim Financial Reporting. The comments do not take the place of the director's report (as required by the Companies Act 1997)

Basis of accounts preparation

If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and IAS 34: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period.

Material factors affecting the revenues and expenses of the economic entity for the current period

A.	<p>Total revenue growth</p> <p>Total revenue grew by nearly 24% in the first 6 months of 2018 compared to the same period in 2017.</p>
B.	<p>Regular Passenger Transport (RPT) revenue grew more than 7%</p> <p>RPT revenue including freight revenue grew by more than 7% during the period compared to the same period in 2017.</p>
C.	<p>Market share grows despite soft economy</p> <p>Because overall RPT capacity remained almost constant from 2017 to 2018, with the additional ATR used for the Newcrest charter, growing RPT revenue despite soft prevailing economic conditions means the Airline is increasing its share of the PNG domestic market.</p> <p>This supports the Airline's strategy of focussing on the RPT market and bringing in brand new ATR aircraft to provide a competitive alternative for the travelling public of Papua New Guinea.</p>
D.	<p>Charter revenue growth</p> <p>Charter revenue grew significantly compared to the same period last year, mostly because of the Newcrest contract, awarded to the Airline in the second half of 2017. The Airline continues to service the St Barbara contract for the Simberi mines and is well positioned to win more charter contracts as they are tendered.</p>
E.	<p>Improved freight service</p> <p>The freight services provided have greatly improved following conversion in late 2017 of one of the Airline's Dash 8 aircraft to a full freighter.</p> <p>This allows transport of up to 4 tonnes of freight and transport of larger pieces of freight, offering a new alternative for primary producers, businesses and projects to move cargo around PNG.</p> <p>The freighter proved its capabilities and the Airline's commitment to PNG when providing emergency services to the earthquake stricken regions of the country earlier this year.</p> <p>The freight system has been automated to further improve customer service.</p> <p>Despite these improvements, domestic freight volume declined due to the downturn in the economy. The Airline has been aggressively pricing in order to maintain volumes but that affects revenues.</p>
F.	<p>Operating loss greatly reduced</p> <p>Overall revenue growth helped reduce the Airline's operating losses before abnormal items and tax by nearly 74% compared to 2017 (K3.55 million compared to K13.75 million).</p> <p>Cost reductions contributed to this improvement, mainly achieved through improved efficiencies.</p>
G.	<p>Factors operating against us for now</p> <p>Despite the significantly improved performance the Airline was unable to deliver a profit. Major factors contributing to that were:</p> <ul style="list-style-type: none"> * Continued softening of the PNG economy mainly from the global downturn in resource sector prices, resulting in very limited resource sector activity during the year; * Lack of new projects or operations providing additional charter opportunities and limited opportunities from existing operators; * Overall decline in the retail travel and freight markets from the prevailing economic situation; * Unfavourable movement in foreign exchange rates; * Growth in the airline industry globally which made crew retention harder and increased our training costs as existing crew left and new crew had to be trained.
H.	<p>Our strategy</p> <p>The Airline continues its strong focus on growing its RPT operation and improving the quality of its services. That strategy led to the opening and continued operation of terminal lounges at Lae and Mt Hagen since early this year. Other key initiatives being taken are:</p>

- * Opening more airport terminal lounges at other key ports;
- * Increasing the distribution network and the access to booking options for customers;
- * Launch of a mobile payment facility to complement the existing mobile booking facility;
- * Introducing a Frequent Flyer Program;
- * Continued investment in staff training and ground service equipment;
- * Code share arrangement with a major international operator to provide customers with a seamless travel experience; and
- * improving internal systems and procedures to improve service delivery.

I.

The future

Continued growth in RPT revenue will allow PNG Air to offer competitive rates for both passenger fares and charter contracts. With the upcoming major international event through the APEC summit being held in Papua New Guinea, the economy is expected to grow and decisions supporting investments in resource sectors are likely to be made. PNG Air with its network structure, brand new fleet and increased capacity is in a strong position to benefit from such opportunities.

n/a

n/a

Changes in accounting policies since the last annual report are disclosed as follows.

Disclose changes in the preliminary final report in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

The accounting policies adopted are consistent with the accounting policies in 31 December 2017 annual financial report.

Additional disclosure for trusts

- | | |
|------|---|
| 19.1 | Number of units held by management company or a related party of it |
| 19.2 | A statement for the fees and commissions payable to the management company. |
| | Identify |
| | * Initial service charges |
| | * management fees |
| | * other fees |

n/a

n/a

Annual Meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

n/a

Date

n/a

Time

n/a

Approximate date the annual report will be available

n/a

Compliance statement

- | | |
|---|---|
| 1 | This report has been prepared under accounting policies which comply with accounting standards approved by the Accounting Standards Board pursuant to the Companies Act 1997 or other standards acceptable to POMS0X (see note 12). |
|---|---|

Identify other standards used

n/a

2

This report, and the financial statements prepared under the Companies Act 1997 (if separate), use the same accounting policies.

3

This report does give a true and fair view of the matters disclosed (see note 2).

4

This report, is based on financial statements of which one of the following applies

The financial statements have been audited.

The financial statements have been subject to review.

The financial statements are in the process of being audited or subject to review.

The financial statements have not yet been audited or reviewed.

5

If the audit report or review by the auditor is not attached, details of any qualifications are attached.

6

The entity has a formally constituted audit committee.

Sign here: 
Director / Company secretary

Date 13-Sep-18

Print name: John Biddle