Rules 4.1, 4.3

Appendix 4B (not equity accounted)

Annual Report

Name of entity

Airlines of Papua New Guinea Limited

Company No:	Half Yearly	Preliminary Final	Half year/Financial year ended (current period)
1-24926	✓		30-Jun-14

For Announcement to the market

Extracts for this report for announcement to market (see note 1)		K'000		K'000
Sales (or equivalent operating) revenue (item1.01)	up/(down)	7%	to	112,728
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)	18%	to	(10,441)
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up/(down)	18%	to	(10,441)
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	18%	to	(10,441)

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)	n/a	

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 2014	Previous corresponding period K'000 Jun 2013
1.01	Sales (or equivalent operating) revenue	112,728	105,412
1.02	Other revenue	4,244	2,209
1.03	Total revenue	116,972	107,621
1.04	Operating profit (loss) before abnormal items and tax	(14,759)	(12,275)
1.05	Abnormal items before tax (detail in item 2.4)	-	-
1.06	Operating profit (loss) before tax (items 1.4 + 1.5)	(14,759)	(12,275)
1.07	Less tax	4,319	3,443
1.08	Operating profit (loss) after tax but before outside equity interests	(10,441)	(8,832)
1.09	Less outside equity interests	-	-
1.10	Operating profit (loss) after tax attributable to shareholders	(10,441)	(8,832)
1.11	Extraordinary items after tax (detail in item 2.6)	-	-
1.12	Less outside equity interests	-	-
1.13	Extraordinary items after tax attibutable to Shareholders	-	-
1.14	Total operating profit (loss) and extraordinary items after tax (items 1.8 + 1.11)	(10,441)	(8,832)
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)	(10,441)	(8,832)
1.17	Retained profits (accumulated losses) at beginning of financial period	(21,622)	(22,301)
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	9	2,134
1.20	Total available for appropriation (carried forward)	(32,053)	(28,999)

Consolidated profit and loss account continued

1.20	Total available for appropriation (brought forward)	(32,053)	(28,999)
1.21	Dividends provided for or paid	-	-
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	Retained profits (accummulated losses) at end of financial period	(32,053)	(28,999)

Profit restated to exclude amortisation and goodwill		Current period - K'000	Previous corresponding period - K'000
1.24	Operating profit (loss) after tax before outside equity interests (item1.8) and amortisation of goodwill	(10,441)	(8,832)
1.25	Less (plus) outside equity interests	-	-
1.26	Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	(10,441)	(8,832)

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)	(10,441)	(8,832)
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	1,756	2,272	3,583
4.2	Receivables	29,236	27,545	21,654
4.3	Investments	-	-	-
4.4	Inventories	14,886	14,751	19,023
4.5	Other (provide details if material)	15,867	32,604	30,971
	Assets classified as held for sale	14,765	26,274	27,016
	Income tax assets	20	-	17
	Prepayments	1,082	6,330	3,956
4.6	**Total current assets**	61,745	77,174	75,231
	Non-current assets			
4.7	Receivables	-	-	-
4.8	Investments	5,961	5,961	5,961
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)	131,191	144,185	220,152
4.13	Intangibles (net)	-	-	-
4.14	Other(provide details if material)			
	Deferred tax Assets	56,562	38,868	39,529
	Aircraft lease deposits	3,008	3,008	
4.15	**Total non current assets**	196,723	192,022	265,642
4.16	**Total assets**	258,468	269,196	340,873
	Current Liabilities			
4.17	Accounts payable	59,678	49,196	47,858
4.18	Borrowings	69,519	38,402	48,287
4.19	Provisions	3,397	4,036	3,898
4.20	Other(provide details if material)			
	Unavailed Revenue	3,808	9,566	10,661
	Other financial liabilities		-	
	Income tax liabilities		-	-
4.21	**Total current liabilities**	136,402	101,200	110,704

Consolidated balance sheet continued

	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	16,371	26,954	78,792
4.24	Provisions	10,076	3,544	3,234
4.25	Other(provide details if material)			
	Deferred Income Tax	49,308	49,985	65,323
4.26	**Total non-current liabilities**	75,756	80,483	147,349
4.27	**Total liabilities**	212,157	181,683	258,053
4.28	**Net assets**	46,309	87,513	82,820
	Equity			
4.29	Capital	57,271	57,271	57,271
4.30	Reserves	21,092	34,373	54,548
4.31	Retained profits (accummulated losses)	(32,053)	(4,132)	(28,999)
4.32	Equity attributable to shareholders of the parent entity	46,310	87,513	82,820
4.33	Outside equity interest in controlled entities	-	-	-
4.34	**Total Equity**	46,310	87,513	82,820
4.35	Preference capital included as part of 4.32	-	-	-

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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	120,280	121,364
7.2	Payments to suppliers and employees	(117,300)	(111,617)
7.3	Dividends received	-	-
7.4	Interests and other items of similar nature received	-	
7.5	Interests and other costs of finance paid	(3,726)	(6,932)
7.6	income taxes paid	-	
7.7	Other (provide details if material)	-	-
7.8	**Net operating cash flows**	(746)	2,815
	Cash flows related to Investing activities		
7.9	Payment for purchases of property, plant and equipment	(20,304)	(10,495)
7.10	Proceeds from sale of property, plant and equipment	1	7,654
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**	(20,303)	(2,841)
	Cash flows related to Financing activities		
7.17	Proceeds from issues of securities (share, options, etc)	(500)	1,000
7.18	Proceeds from borrowings	3,601	
7.19	Repayments of borrowings	-	(4,782)
7.20	Dividends paid	-	-
7.21	Other (provide details if material)	-	-
7.22	**Net financing cash flows**	3,101	(3,782)
7.23	Net increase (decrease) in cash held	(17,948)	(3,808)
7.24	Cash at beginning of period (see reconciliation of cash)	(1,985)	(11,199)
7.25	Exchange rate adjustments to item 7.24	-	-
7.26	Cash at end of period (see reconciliation of cash)	(19,933)	(15,007)

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.

Property, plant & equipment includes an amount of K7,213k which was the total of capitalised repairs/overhauls undertaken under PBH program in 2014. Comparative figure for 2013 was K4,483k.

Reconciliation of cash

		Current period - K'000	Previous corresponding period - K'000
8.1	Cash on hand and at bank	1,756	3,584
8.2	Deposits at call	-	-
8.3	Bank overdraft	(21,689)	(18,591)
8.4	Other (provide details)	-	-
8.5	**Total cash at end of period (item 7.25)**	(19,933)	(15,007)

Ratios

		Current period	Previous corresponding period
	Profit before abnormals and tax/sales		
9.1	Consolidated operating profit (loss) before abnormal items and tax (item1.04) as a percentage of sales revenue (item 1.01)	-13.09%	-11.64%
	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)	-22.55%	-10.66%

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 (4.68)	t (3.96)
(b)	Diluted EPS (If materiality different from(a))	t (4.68)	t (3.96)
(C)	Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	223,000,000	223,000,000

Note:

NTA Backing
(see note 7)

		Current period	Previous corresponding period
11.1	Net tangible asset backing per ordinary security	0.21	0.37

Details of specific receipts/outlays, revenues/ expenses

		Current period K'000	Previous corresponding period K'000
12.1	Interest revenue included in determining item 1.4	-	
12.2	Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc)	(3,726)	(6,932)
12.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)		-
12.5	Outlays(except those arising from the acquisition of an existing business) capitalised in intagibles (if material)	-	-
12.6	Depreciation and amortisation (excluding amortisation of intangibles)	(3,798)	(10,122)

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 extraodinary 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	
	(Preliminary final report only)			
15.4	Final Dividend:	Current year	n/a	
15.5		Previous Year	n/a	
	(Half yearly and preliminary final reports)			
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	223,000,000	223,000,000
15.11	Preference Securities	n/a	n/a
15.12	Total	223,000,000	223,000,000

The dividend or disribution 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	
18.2	Issued during current period	n/a	n/a	n/a	
18.3	**Ordinary securities**	223,000,000	223,000,000		
18.4	Issued during current period	n/a	n/a		
18.5	**Convertible debt securities** *(description and conversion factor)*	n/a	n/a	n/a	
18.6	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.	RPT revenue from passenger & cargo services recorded a K 12Million increase over the same period last year. However, the total operating revenue for the period recorded an increase of only K 7Million or 7% compared to the same period last year. This was mainly due to a K 4 Million drop in Charter revenue, in turn due to reduction in service level requirements by Exxon Mobile PNG, as that company moved onto the next phase of its production cycle. In response to this drop the airline has focused on increasing the RPT services. While the increase in RPT operations and revenue provides a solid base for increased profitability in the future new routes and services take time to develop and establishing them incurs upfront marketing and setup costs. Passenger numbers also generally begin at low levels and grow as the market develops. Accordingly airline profitability is impacted by the large number of new services introduced in early 2014.
B.	Direct costs and overheads recorded a K 15Mn increase over the corresponding period in 2013, representing a 23% increase. Continuous devaluation of the Kina against relevant foreign currencies has been the single most significant factor causing this increase. As a result of this devaluation, fuel costs, one of the primary components of operating costs, increased significantly, offsetting some of the benefits of revenue gains. Increased costs also reflect the additional costs associated with establishing the new RPT services generating the above mentioned increased revenue. In addition, the Airline's strict policy of maintaining the highest level of safety in its fleet has necessitated increased maintenance expenditure and cost escalations in the engineering department.
C.	During this period, management continued with its internal review and improvement processes, resulting in the implementation of a series of cost saving measures. It is expected that these measures will produce tangible saving in the coming 6 months.
D.	Loss before income tax for the period increased to K14.76 million from the K 12.28Million loss in the corresponding period in 2013. The above result includes: (i) the one-off costs incurred as a result of the company-wide cost reduction & efficiency improvement programs undertaken by management and (ii) the upfront expenditure required to introduce new services and develop market share on them.
E.	The Airline continued its strategy of becoming a dominant RPT service provider and continued to expand its services to more regions of PNG. In March this year it introduced new routes in the Highlands and Island regions including improved connectivity from Lae. Additionally, the frequency of many existing services was increased.
F.	The Airline was recently awarded a major contract by Newcrest Mining Ltd to provide air services supporting their operations. This will result in introducing new RPT services to Lihir Island commencing 1 October 2014. This is a major contract for the Airline as the RPT service will include an allocation of seats for Newcrest Mining on each flight.
G.	The Airline has now completely retired its Twin Otter aircraft from service. The Airline has successfully negotiated with a buyer for the disposal of its Twin Otter fleet. This will ensure that the airline's aircraft utilisation is maximised. The funds realised from this sale are earmarked primarily for debt reduction.
H.	The Airline has embarked on a capital raising project with the dual objectives of strengthening its balance sheet and allowing it to introduce a newer, larger aircraft type to its fleet by the end of the 2015. Introduction of such aircraft will enable the airline to further improve its service reliability, on time performance, revenue and profitability.
I.	With underperforming routes removed from the Airline's revised schedule and the introduction of more profitable routes, the Directors consider that the Airline is in a position to improve its operational results in the second half of the current financial year. The expected cost savings to be derived from the process improvements and efficiency initiatives undertaken by management will further assist in achieving this result.

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 2012 annual financial report.

Additional disclosure for trusts

19.1	Number of units held by management company or a related party of it	n/a
19.2	A statement fo the fees and comissions payable to the management company. Identify * Initial service charges * management fees * other fees	n/a

Annual Meeting
(Preliminary final report only)

The annual meeing will be hels 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 POMSoX (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 folowing 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 of 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: _____ Date: 12 SEPTEMBER 2014

~~Director~~ / Company secretary

Print name: JOHN BIDDLE