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-15

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)	-8%	to	103,185
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)	99%	to	(191)
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up/(down)	99%	to	(191)
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	99%	to	(191)

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 2015	Previous corresponding period K'000 Jun 2014
1.01	Sales (or equivalent operating) revenue	103,185	112,728
1.02	Other revenue	4,754	4,244
1.03	Total revenue	107,939	116,972
1.04	Operating profit (loss) before abnormal items and tax	34	(14,782)
1.05	Abnormal items before tax (detail in item 2.4)	-	-
1.06	Operating profit (loss) before tax (items 1.4 + 1.5)	34	(14,782)
1.07	Less tax	(225)	(2,559)
1.08	Operating profit (loss) after tax but before outside equity interests	(191)	(17,341)
1.09	Less outside equity interests	-	-
1.10	Operating profit (loss) after tax attributable to shareholders	(191)	(17,341)
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)	(191)	(17,341)
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)	(191)	(17,341)
1.17	Retained profits (accumulated losses) at beginning of financial period	(49,058)	(29,068)
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	14	8
1.20	Total available for appropriation (carried forward)	(49,236)	(46,401)

Consolidated profit and loss account continued

1.20	Total available for appropriation (brought forward)	(49,236)	(46,401)
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	(49,236)	(46,401)

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	(191)	(17,341)
1.25	Less (plus) outside equity interests	-	-
1.26	Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	(191)	(17,341)

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)	(191)	(17,341)
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	1,170	2,126	1,756
4.2	Receivables	23,742	21,264	21,650
4.3	Investments	-	-	-
4.4	Inventories	12,565	14,063	14,886
4.5	Other (provide details if material)	26,323	26,659	23,452
	Assets classified as held for sale	9,405	11,345	14,765
	Prepayments	16,918	15,314	8,687
4.6	**Total current assets**	63,800	64,112	61,744
	Non-current assets			
4.7	Receivables	-	-	-
4.8	Investments	-	0	0
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)	134,463	130,509	115,658
4.13	Intangibles (net)	-	-	-
4.14	Other(provide details if material)			
	Deferred tax Assets	32,200	31,490	27,320
	Aircraft lease deposits	3,249	3,008	3,008
4.15	**Total non current assets**	169,912	165,007	145,986
4.16	**Total assets**	233,712	229,119	207,730
	Current Liabilities			
4.17	Accounts payable	69,730	73,008	59,679
4.18	Borrowings	29,896	25,237	72,329
4.19	Provisions	15,403	14,314	9,650
4.20	Other(provide details if material)			
	Unavailed Revenue	6,109	6,054	3,808
	Liabilities associated with assets held for sale	2,471	-	
	Income tax liabilities		-	-
4.21	**Total current liabilities**	123,609	118,613	145,466

Consolidated balance sheet continued

	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	35,422	36,657	13,561
4.24	Provisions	4,788	3,980	3,823
4.25	Other (provide details if material)			
	Deferred Income Tax	32,209	31,490	27,320
4.26	**Total non-current liabilities**	72,419	72,127	44,704
4.27	**Total liabilities**	196,028	190,740	190,170
4.28	**Net assets**	37,684	38,379	17,560
	Equity			
4.29	Capital	77,271	77,271	57,271
4.30	Reserves	9,649	10,166	6,690
4.31	Retained profits (accummulated losses)	(49,236)	(49,058)	(46,401)
4.32	Equity attributable to shareholders of the parent entity	37,684	38,379	17,560
4.33	Outside equity interest in controlled entities	-	-	-
4.34	**Total Equity**	37,684	38,379	17,560
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	104,922	120,281
7.2	Payments to suppliers and employees	(102,239)	(117,300)
7.3	Dividends received	-	-
7.4	Interests and other items of similar nature received	-	
7.5	Interests and other costs of finance paid	(1,809)	(3,726)
7.6	income taxes paid	-	
7.7	Other (provide details if material)	-	-
7.8	**Net operating cash flows**	874	(745)
	Cash flows related to Investing activities		
7.9	Payment for purchases of property, plant and equipment	(10,824)	(20,303)
7.10	Proceeds from sale of property, plant and equipment	5,571	-
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**	(5,253)	(20,303)
	Cash flows related to Financing activities		
7.17	Proceeds from issues of securities (share, options, etc)	500	(500)
7.18	Proceeds from borrowings		3,869
7.19	Repayments of borrowings	(858)	(270)
7.20	Dividends paid	-	-
7.21	Other (provide details if material)	-	-

7.22	**Net financing cash flows**	(358)	3,099
7.23	Net increase (decrease) in cash held	(4,737)	(17,949)
7.24	Cash at beginning of period (see reconciliation of cash)	(10,190)	(1,984)
7.25	Exchange rate adjustments to item 7.24	-	-
7.26	Cash at end of period (see reconciliation of cash)	(14,927)	(19,933)

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 K4,200k which was the total of capitalised repairs/overhauls undertaken under PBH program in 2015. Comparative figure for 2014 was K7,213k.

Reconciliation of cash

		Current period - K'000	Previous corresponding period - K'000
8.1	Cash on hand and at bank	1,170	1,756
8.2	Deposits at call	-	-
8.3	Bank overdraft	(16,097)	(21,689)
8.4	Other (provide details)	-	-
8.5	**Total cash at end of period (item 7.25)**	(14,927)	(19,933)

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)	0.03%	-13.11%
	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)	-0.51%	-98.75%

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 (.06)	t (7.78)
(b)	Diluted EPS (If materiality different from(a))	t (.06)	t (7.78)
(C)	Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	303,000,000	223,000,000

Note:

NTA Backing (see note 7)		Current period	Previous corresponding period
11.1	Net tangible asset backing per ordinary security	0.12	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)	(2,748)	(3,726)
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)	(4,249)	(3,819)

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	303,000,000	223,000,000
15.11	Preference Securities	n/a	n/a
15.12	Total	303,000,000	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 (cents)	
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**	303,000,000	303,000,000		
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.	For the half year 2015, the Airline returned a break even result of K34,000 in pre-tax profit. This is significant improvement against pre-tax loss of K14.78 million during the same period last year and reflects that the major restructuring efforts that were started in the airline two years ago are starting to yield positive results. Some of the main initiatives undertaken have been: i. Restructuring of the engineering and technical services functions; ii. Focus on improving critical indicators such as On Time Performance (OTP); iii. Cost saving initiatives; iv. Efforts to minimise wastage; v. Rigid monitoring of route performance; vi. Introduction of new routes and increasing frequencies in existing services; vii. Meetings with existing and potential corporate clients and increased marketing initiatives.
B.	During this period, RPT revenue from passenger and freight services recorded an 11% (K8 million) increase over the corresponding period last year. However, total revenue dropped by 8% (K9.5 million), compared to the same period last year, mainly due to reduction in revenue from Charter operations. On a year on year basis, continued reduction in Charter service requirements from Exxon Mobil PNG (as it progressed further into the production phase) caused Charter revenue to reduce by 43% (K16 million). As a consequence the Airline has continued to redeploy the available capacity from reduced Charter services to RPT.
C.	Direct costs and overheads recorded an 18% (more than K23 million) reduction over the corresponding period last year. The amount of total cost reduction achieved is evidence of the success of the initiatives referred to in section A above.
D.	It is important to highlight that the cost reductions were in no way allowed to adversely impact safety related issues, and the Airline continued its strict policy of maintaining the highest standards of safety over its fleet and services.
E.	The Board and management have progressed well on the Airline's re-fleeting and rebranding programs and are looking forward to the arrival of the first new ATR 72-600 (72 seat) aircraft in October 2015 to begin commercial operation. A second new ATR will be introduced to the fleet in December this year, and a third in early 2016. By the end of 2017 we will have 7 ATRs in operation. The Airline's new brand and livery will be unveiled when the first of the new ATRs arrives in PNG. Significant investments in both time and resources have been made towards re-fleeting and rebranding and it is expected that these will contribute strongly to achieving a sustainable and profitable future for the Airline and its shareholders.
F.	Part of the re-fleeting strategy is to replace all Dash 8 aircraft with the brand new ATR aircraft by 2020. While the re-fleeting program also involves the Airline exiting a Dash 8 for each new ATR introduced to service, remaining Dash 8s will continue to be a significant part of the fleet until 2020 meaning that the Airline will have to retain maintenance capacity for those aircraft and undertake periodic heavy maintenance checks and overhauls to ensure that they are maintained to the highest standards. To support these on-going operational costs and the costs related to re-fleeting and re-branding, the Airline is currently working on raising further capital of K30 million in addition to the successful raising of K20 million in capital during 2014.
G.	During the month of July 2015, on the basis of unaudited management accounts the Airline recorded a profit of K1.3 million before tax, which is more than K 1 million above budget for the month. This result was achieved on the back of improved RPT revenue. While the revenue figures were helped by the South Pacific Games, again the main contributing factors were reduced costs and improved operational performance. OTP for the month of July was higher than the international standard of 85% and this trend continued in August.
H.	Considering the improved performance, coupled with the introduction of brand new ATR aircraft and re-branding of the Airline, both Board and Management are confident of a bright future for the Airline.

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 2014 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 14 SEPTEMBER 2015

~~Director~~ / Company secretary

Print name: JOHN BIDDLE