

Rotorua Regional Airport Ltd

Statement of Intent

For the period 1 July 2023 to 30 June 2026

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1. INTRODUCTION

1.1 Statement of Intent

This Statement of Intent (SOI) is presented by Rotorua Regional Airport Ltd (RRA) in accordance with the requirements of Section 64(1) of the Local Government Act 2002. It represents the objectives, nature, and scope of activities to be undertaken and performance targets by which RRA will be measured. It covers the three (3) years of operations from 1 July 2023 to 30 June 2026 and supersedes the previous SOI. This SOI will also have primacy over any conflicts between RRA's constitution and the SOI unless a clause of the SOI breaches the Companies Act.

Analysis of the community benefits of the Airport support Rotorua Lakes Council (RLC) contributing to the Airport operations due to its importance in supporting economic development, the tourism sector and Rotorua air travellers. A separate Service Funding Agreement has been established to assist with the ongoing Airport capital development, infrastructure maintenance and operations. This was agreed as part of the Council's 2015 Long Term Plan process and sits alongside and in support of this SOI.

1.2 COVID-19 Impacts

While New Zealand has moved into a post COVID-19 mindset and travel restrictions have lifted, RRA is still experiencing the residual effects of COVID-19. Air New Zealand remains capacity constrained, primarily due to staff shortages, resulting in aircraft capacity to ROT not yet returning to pre-COVID levels. RRA also faces the same challenges as other New Zealand businesses with high staff turnover and increased costs (including wages).

2. ROTORUA REGIONAL AIRPORT LTD

2.1 The Organisation

RRA is 100% owned by RLC and operates as a Council Controlled Organisation (CCO). RRA has an independent skills-based Board of four Directors and a Chairperson, as well as an Independent Board Advisor, and employs its own Chief Executive and staff.

RRA operates under an SOI agreed to by its Directors and RLC. A Service Funding Agreement is also in place between RRA and RLC with the funding agreement being part of the Councils annual planning process.

RRA's prime purpose is to maintain a safe and efficient Airport operation whilst optimising the use of its assets to facilitate and grow tourism and trade, other commercial activity, and Airport profitability. RRA is responsible for the ongoing capital development and maintenance of the Airport assets and ownership of the core infrastructure.

The Airport is viewed as an essential infrastructure asset for Rotorua and has a key role to play in the economic performance, growth and development of the region. This includes being an enabler to help RLC deliver on its 2030 goals. The airport is home to several Rotorua businesses and provides both financial and non-tangible benefits to Rotorua.

2.2 The Directors

The RRA directors are:	Appointment date:	Term length:
Mr Grant Lilly (Interim Chairperson)	26 August 2021	3 years (26 August 2024)
Ms Danielle Auld (Director)	5 March 2020	3 years (5 October 2023)
Mr John Fenwick (Director)	1 October 2017	6 years (1 October 2023)
Mrs Mere George (Director)	5 March 2020	3 years (5 October 2023)
Mr Fred Cookson (Director)	13 April 2023	3 years (13 April 2026)

Directors coming due for renewal will continue in their roles, irrespective of whether the renewal date has passed, until written notification is received from RLC.

2.3 Supporting Mana Whenua

RRA is committed to supporting Tikanga Māori and Mana Whenua through all aspects of the airport's operations and management. Recent examples of this include:

- Signing of a Memorandum of Understanding with Ngāti Uenukukōpako. The MOU includes support from the RRA Board of Ngāti Uenukukōpako representation on the Board.
- Ngāti Uenukukōpako representation on the working group for the Airport Business Park Development Plan.
- Appointment of two wahine Māori as Board Observers for 2023 who happen to whakapapa to Ngāti Uenukukōpako.
- Ongoing commitment to bi-lingual signage within the airport terminal.
- Te Reo and Tikanga Māori education for management staff. This opportunity will be made available to all airport staff as airport operations allow.

2.4 Kahikatea Trees

The previous agreement with RRA and the Whakapoungakau 7 Māori Reservation Trusts (Reservation Trusts) (formerly known as the Ngāti Rangiteaorere Kahikatea Trust) expired on 31 December 2022. RRA and the Reservation Trusts are working together to establish a new agreement to support the ongoing relationship of the parties. The new agreement seeks to recognise the importance of RRA to the Rotorua community and the cultural and environmental significance of the Kahikatea stand.

3. KEY PRIORITIES AND OBJECTIVES

RRA's purpose is to be **Te Waharoa (Gateway) of the Central North Island**. For the airport this means:

- Enabling Rotorua to fulfil its aspirations and success as the gateway to the Central North Island.
- Enabling safe passage for people and goods, business and life.
- Manaakitanga through the expression of aroha, hospitality, generosity and mutual respect. Building unity and connection. We anticipate the arrival of our guests, the needs of our partners and work to meet their needs.

- Our purpose reflects our contribution to the region and therefore enables others to see Rotorua as our base and the Central North Island as our rohe.

Underpinning this purpose is RRA’s vision: **“to be a uniquely Rotorua hub our community can be proud of”** and the board and management have identified five key priorities for the airport to deliver this vision:

- Be a safe airport
- Help Council achieve its growth aspirations
- Manage & maintain assets to a high standard
- Be financially sustainable
- Be environmentally conscious

To fulfil our vision the critical elements of the strategy are:

- Maintain a fully compliant airport, including all aviation and non-aviation activities
- Strengthen our role to enable and develop the success of the region – financially and socially
- Leverage our land to create a sustainable and successful regional gateway
- Strengthen our position in the aviation sector. Route and service development for passengers and freight as well as planning for the future to ensure RRA is ready to embrace new generation aircraft
- Extend our Manaakitanga – enhance our care of our guests and visitors

Additional priorities

RRA will work closely with RLC on the Airport Business Park Development Plan which will set a clear pathway on how best to leverage the approx. 18 hectares of under-utilised airport land to the south of the terminal. Developing this land will put RRA in a strong position to take advantage of opportunities, that meet the airports key priorities, in a timely manner.

RRA will continue to seek, assess and, where appropriate, implement further commercial opportunities and strategic projects to deliver on its key priorities. Projects under consideration include:

Strategic Project	Status	Indicative Timeline
Airport Business Park	Working on Business Case	FY25 and beyond
Williton Road	Under investigation	FY24-FY25
Air Park	Technical studies underway	FY26 and beyond

4. GOVERNANCE

The Board has adopted the following governance objectives:

- Approve corporate strategy and direction, laying down solid foundations for management and oversight.
- Employ a Chief Executive who monitors the organisations performance against pre-established Board criteria and has overall responsibility for implementing the company’s strategic direction.
- Maintain an active and engaged Risk Assurance and Finance (RAF) committee that has responsibility for the oversight of RRA’s risk profile, in particular with regard to finance and operations.
- Ensure the organisation complies with all internal and externally imposed compliance requirements and policies.
- Identify and monitor the management of organisation and operational risks.

- Utilise the expertise of Directors to add value and regularly review the Directors' skill base to ensure it can support RRA's strategy.
- Promote ethical and responsible decision-making.
- Safeguard the integrity of its financial reporting and make timely and balanced disclosure.
- Respect the rights and recognise the legitimate interests of its Shareholder and stakeholders and ensure that RRA and RLC work together on a 'no surprises' basis.
- Actively engage with other key stakeholders in the region, in particular, Rotorua NZ and the Bay of Plenty Regional Council.

4.1 Responsibilities of Directors

Meeting legal requirements

The Board's first duty is to the legal entity. In meeting this duty, the Board must ensure that all legal requirements under the relevant Acts are met, and that the entity is protected from harmful situations and circumstances in the interests of current and future stakeholders. The Board also has a responsibility to its stakeholders to ensure that the available resources are used to deliver the right outcomes to the right people in the right way.

In particular, Directors have the following obligations:

- To act in good faith in the interests of all stakeholders of RRA.
- To exercise their powers for a proper purpose.
- To avoid actual or perceived conflicts of interest.
- To act honestly.
- To act with reasonable care and diligence.
- To not make improper use of their position or of information gained while in that role.
- To ensure that RRA does not trade while insolvent.

Board members, either individually or collectively, are potentially liable if they act illegally or negligently.

Governance philosophy and approach

The Board will govern RRA with an emphasis on:

- A clear distinction between Board and Chief Executive roles.
- Remaining up-to-date in terms of key stakeholders' concerns, needs and aspirations.
- Developing a future focus rather than being preoccupied with the present or past (outward vision rather than inward concern).
- Providing leadership in the exploration of strategic issues rather than becoming distracted by administrative detail.
- Behaving proactively rather than reacting to events and others' initiatives.
 - Bringing a diversity of opinions and views to bear on its decisions.
 - Developing and expressing collective responsibility for all aspects of the Board's performance.
 - Continuing improvement in Board and individual Board member effectiveness and the interest of RRA as a whole.

The Board will:

- Cultivate a sense of group responsibility and achieve a high level of governance excellence.
- Govern RRA through careful design and review of written policies that reflect the Board's values.
- Not allow any officer, individual or committee of the Board to hinder or be an excuse for not fulfilling Board commitments.

- Maintain an internal audit and risk committee to assist in the establishment of effective risk management and governance control processes.

Board Observers– providing governance experience to Rotorua’s future leaders

The Board will continue an annual Board Observer programme for up to two (2) developing future leaders or business owners. The role is for a 12-month period, commencing and concluding at the Annual General Meeting held in November each year.

Direction of executive performance

The Board will:

- Select, monitor and if necessary, replace the Chief Executive
- Provide the Chief Executive clear expectations of their performance
- Provide regular, honest, and rigorous performance feedback to the Chief Executive on the achievement of such expectations

Public statements

In all contact with the media the Chief Executive shall be the sole spokesperson on all operating matters relating to RRA. The Chairperson shall represent RRA on all governance matters. The Chief Executive or Chairperson may delegate aspects of these responsibilities.

Other

The Board will perform such other functions as are prescribed by law or assigned to the Board under RRA governing documents as they relate to being a Council Controlled Organisation (CCO).

4.2 Expectations of Board members

To execute these governance responsibilities Directors must, as far as practicable, possess certain characteristics, abilities, and understandings.

Fiduciary duty

Directors must always act in RRA’s best interest regardless of personal position, circumstances, or affiliation. They should be familiar with the constitutional arrangements and fulfil the statutory and fiduciary responsibilities of a Director.

Strategic orientation

Directors should be future-oriented, demonstrating vision and foresight. Their focus should be on strategic goals and policy implications rather than operational detail.

Integrity and accountability

Board members must demonstrate high ethical standards and integrity in their personal and professional dealings, be willing to act on all Board decisions and remain collectively accountable for them even if these are unpopular or if individual Directors disagree with them. Directors must be committed to speaking with one voice on all policy and directional matters.

Informed and independent judgement

Each Director must have the ability to provide wise, thoughtful counsel on a broad range of issues. They must have or develop a sufficient depth of knowledge about RRA to understand and question the assumptions underlying strategic and business plans and important proposals and be able to form an independent judgement on the probability that such plans can be achieved or proposals successfully implemented. Each Director must be willing to risk rapport with fellow Directors in taking a reasoned, independent position.

Financial literacy

Directors must be financially literate. They should be able to read financial statements and understand the use of financial ratios and other indices used for evaluating RRA's performance.

Industry and sector knowledge

Each Director is expected to bring a level of industry and sector knowledge sufficient to contribute to the Board's deliberations and considerations on behalf of the organisation.

Participation

Each Director is expected to enhance the Board's deliberations by actively offering questions and comments that add value to the discussion. Each should participate in a constructive manner that acknowledges and respects the contribution of others at the table, including the executive team.

Ngāti Uenukukōpako Memorandum of Understanding (MOU)

Directors must familiarise themselves with the Ngāti Uenukukōpako MOU to provide support and leadership in instilling the principles of the MOU into the RRA culture at all levels.

4.3 Governance process policies

- Policies are to be clear, unambiguous and provide continuity and a consistent point of accountability.
- RRA acknowledges Māori as tangata whenua, accepts Te Tiriti (the Treaty) as a founding document of the nation and acknowledges its responsibility to ensure Māori needs are met in culturally appropriate ways.

An essential element in the Board's leadership role is its responsibility to set the strategic direction for RRA, identify organisation priorities and monitor progress against the strategic goals and objectives.

- The Board has a core duty to ensure the financial integrity and viability of RRA and to ensure the organisation's funds are used for the purposes for which they have allocated. This requires oversight of financial performance and annually approving the financial budget.

The Board will identify and evaluate the principal risks faced by RRA and ensure that systems are in place to avoid or mitigate the risks including the protection of intellectual capital.

- The Board may establish standing committees and working parties to support it in its governance work, provided they do not conflict with the Chief Executive's delegated responsibilities.
- The majority of Board business will be conducted in Board meetings.
- The Chairperson provides leadership to the Board consistent with its policies and represents the Board and the organisation to outside parties. It is expected that the Chairperson will promote a culture of stewardship, collaboration and co-operation, modelling and promulgating behaviours that define sound Board membership.

- The Board delegates to the Chief Executive responsibility for implementation of its strategic direction/strategic plan while complying with the Chief Executive delegation policies.

5. RESPONSIBILITY TO SHAREHOLDER

5.1 Statement of Intent

In accordance with the Local Government Act 2002, the company submits its SOI for the coming financial year to the Shareholder – Rotorua Lakes Council. The SOI sets out the company's overall objectives, intentions, and financial and performance targets for the following three years.

5.2 Information flows and reporting

The Board aims to ensure that the Shareholder is informed of all major developments affecting the company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholder through the following:

- Quarterly reporting against the SOI's performance measures and financial forecasts. Reporting to be provided within five weeks of the end of the quarter.
- Delivery of a half-year report (draft by mid-February) and an annual report (draft by mid-September) to the RLC's Chief Financial Officer.
- RRA Chief Executive and senior Council executives to meet on a regular basis.
- RRA Chair and Chief Executive to meet with the Mayor and Council Chief Executive a minimum of twice per year.
- Other ad-hoc reports and occasional briefings.

In addition, RRA will proactively develop positive relationships with other local key stakeholders to ensure effective communication of the initiatives being pursued through the implementation of the respective strategic plans.

5.3 Acquisition and or Disposal of Shares or Other Investments.

RRA is not in the business of purchasing or otherwise acquiring shares in any other company or organisation.

Should RRA proceed to acquire or dispose of shares such acquisition or disposal shall not proceed without an ordinary resolution first being confirmed by RLC.

6. CAPITAL EXPENDITURE

6.1 Operational Asset Replacement and Infrastructure Renewals and Replacement

RLC transferred all Airport assets to RRA in February 2016. A programme of capital improvements has been established and recently seen the re-development of the original terminal and fire station.

The capital improvements programme, which relates to operational assets and airport infrastructure, is updated on an annual basis and likely future spend is also identified in the 30-year forecast. This reflects the nature of RRA's business as an owner of significant infrastructural assets that must be maintained to meet its obligations under the Airport Authorities Act 1996, the Civil Aviation Act 1990, and the Civil Defence and Emergency Act 2002.

The cost of aeronautical capital expenditure is recovered through aerodrome charges levied to both regular passenger service operators and general aviation. An established framework is in place to review and reset these charges regularly and considers the cost of building, delivering and maintaining aeronautical infrastructure, assets and services.

Most capital expenditure is funded out of airport cashflow however, from time to time, there will be essential large scale capital expenditure requiring debt funding. Planned capital expenditure and likely required borrowing is included in the 30-year forecast (and the Statement of Intent(s) for the relevant time period). RRA will work on the basis that this borrowing, given it is critical to maintaining and operating a safe airport which is fit for purpose for Rotorua, is pre-approved and will be included in RLC's long term plan.

A total CAPEX budget for the three (3) year period of **\$3,370,000** has been allowed in financial forecasts as follows:

Operational Asset Replacement Items

	FY24	FY25	FY26
Aeronautical	\$560,000	\$1,350,000	\$100,000
Non-aeronautical	\$120,000	\$50,000	\$50,000
TOTAL	\$680,000	\$1,400,000	\$150,000

Note: FY24/25 aeronautical asset replacement includes a replacement fire appliance

Infrastructure Renewals and Replacement	FY24	FY25	FY26
Aeronautical	\$350,000	\$100,000	\$100,000
Non-aeronautical	\$540,000	\$25,000	\$25,000
TOTAL	\$890,000	\$125,000	\$125,000

6.2 Strategic Projects

As per Section 3 Additional Priorities, RRA will from time to time, require additional funding for significant strategic projects. Should RRA require additional debt funding to deliver a significant strategic project, RRA will present a board approved business case to RLC to approve the increase in debt.

7. PERFORMANCE MEASURES

The following table outlines RRA’s anticipated ‘business as usual’ financial performance for the three (3) year period ending 30 June 2026, and the performance measures it will be assessed against. These measures and forecasted performance are based on the following key assumptions:

- No further material external or internal economic shocks impacting business and aviation resulting from COVID-19 or any other un-forecast significant event.
- New Zealand GDP tracks to the current consensus of economic forecasts.
- The continuation of the RLC and BNZ Loan Facilities.
- No material movement in the fair value assessment of the airport land and buildings.
- Continuation of the Service Funding Agreement with RLC (SFA) in accordance with the Long-Term Plan.

	FY19 Actuals (pre COVID)	FY22 Actuals	FY24	FY25	FY26
a. Aircraft Aircraft movements (note 3)	7,498	4,056	4,711	5,004	5,203
b. Passengers Domestic (note 3)	265,443	155,459	227,356	252,171	267,301
c. Financial					
Aeronautical Revenue	\$1,660,351	\$1,267,572	\$3,421,951	\$4,035,463	\$4,455,039
Non-Aeronautical Revenue	\$1,270,064	\$2,147,731	\$1,571,977	\$1,661,921	\$1,723,224
Service Funding Agreement (note 6)	\$2,563,020	\$2,430,406	\$2,184,148	\$2,322,731	\$1,947,485
Total Revenue	\$5,493,435	\$5,845,708	\$7,178,076	\$8,020,114	\$8,125,749
Operating expenses	\$1,202,333	\$1,297,745	\$2,265,595	\$2,140,443	\$3,186,410
Overheads	\$1,336,550	\$1,670,377	\$2,171,903	\$2,225,698	\$2,165,152
Interest	\$514,956	\$517,251	\$565,260	\$576,565	\$588,097
Total Expenses (excl Depreciation)	\$3,053,839	\$3,485,373	\$5,002,758	\$4,942,707	\$5,939,658
Net Surplus (before Depreciation)	\$2,439,595	\$2,360,335	\$2,175,318	\$3,077,408	\$2,186,091
Depreciation	\$2,219,905	\$1,633,192	\$1,709,400	\$1,709,400	\$1,709,400
Net Surplus / Loss (after Depreciation & before tax) (note1)	\$219,690	\$386,108	\$465,918	\$1,368,008	\$476,691
Capital expenditure	-		\$1,060,000	\$2,035,000	\$275,000
Shareholders' funds to total assets (note 2)	-		80%	82%	84%
d. RRA Term Borrowings (with LGFA via RLC) As at 30 June (note 4)	\$14,400,000	\$14,550,000	\$11,750,000	\$10,950,000	\$8,950,000
e. Customer Satisfaction Score (CSAT) CSAT Survey annual score			75%	77%	80%
f. Aviation Compliance RRA has a current Part 139 Operating Certificate (note 5)			Yes	Yes	Yes
g. Legal Compliance 5 year compliance calendar	Provided with quarterly reporting				
h. Asset Management High-level Asset Management Plan to RLC	By 30 September, each year				

Note 1: Due to the availability of a group loss offset from RLC, the provision for taxation has been excluded in the financial forecast.

Note 2: Total assets represent the RRA's total assets, both intangible and tangible. Shareholders' funds represent net equity of the shareholder. This includes issued share capital, capital reserves and retained earnings. There is currently no intention to distribute any of these funds to the shareholder.

Note 3: The following assumptions have been made in the forecasting of passenger numbers and flight movements, and consequently revenue:

- Air NZ growth July to Dec '23 in line with Air NZ forwards, plus a discount factor for disruptions.
- Domestic travel demand continues at current levels. Any drop in traffic due to a possible recession is backfilled by strong demand, traffic that is currently not travelling due to capacity constraints.
- No further lockdowns or travel restrictions.
- FY24 passenger numbers will increase to 86% of pre-covid, FY25 to 95%, with a further growth in FY26 to 101% of pre-covid levels.

Note 4: The debt came from the purchase of the Airport Assets in 2016, the original RLC debt value was \$18,400,000, which was reduced to \$15,000,000 during FY16. As at the 30 June 2016, the company also had, and continues to have, a customised average rate loan (CARL) from BNZ of up to \$3,400,000 (please note this debt facility is not fully utilised and the balance varies throughout the year). Debt Repayment profile is as per 30-year forecast version 1 July 2023.

Note 5: The current Part 139 Operating Certificate is valid until 29th February 2024.

Note 6: The Service Funding is to cover depreciation, interest and debt repayment.

8. COMPANY VALUATION

8.1 Valuation

The book value of Shareholders' funds as at 30 June 2022 was:

Shares:

Rotorua District Council (100%)	28,645,000 shares
Total Book Value of Shares	\$28,645,000

Capital Reserve and Retained Earnings: **\$30,385,883**

Ratio of Shareholders' Funds to Total Assets **76%**

The value of the company's non-current assets at 30th of June 2022 was:

Asset Type	\$ Basis
Property, Plant & Equipment	\$77,039,741
Intangible Assets	\$7,864
TOTAL NON-CURRENT ASSETS	\$77,489,194 Book value

NOTE: The non-current assets carrying amount of **\$77,489,194** has been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

The Company is not intending to pay dividends for the next few years as any surplus funds will be used to repay debt and to fund capital projects.

Reporting against Financial Forecast set out in the SOI as at **30 June 2022** was:

	FY22 Actual	FY22 Budget
Revenue from airport operations	\$3,415,303	\$2,804,264
Service funding agreement	\$2,430,406	\$2,430,406
Total income	\$5,845,709	\$5,234,670
Direct expenses	\$1,297,745	\$1,519,550
Depreciation & debt interest	\$2,139,051	\$3,186,873
Other expenses	\$1,681,773	\$1,932,599
Total expenses	\$5,118,569	\$5,929,933
Surplus (deficit) after tax	\$486,476	(\$695,263)
Rotorua Lakes Council Debt	\$14,550,000	
BNZ CARL (Cash Facility)	\$1,829,000	

8.2 Commercial Value of Shareholder’s Investment

The commercial value of the shareholder’s investment in the Company is considered by the Board of Directors to be not less than the Shareholder’s Equity as disclosed in the Statement of Financial Position published in the last Annual Report.

The Board estimates the commercial value of the shareholder’s investment in the Company as follows:

	2024	2025	2026
Commercial value of shareholder's investment	59,434,707	60,669,580	61,256,971

The commercial value is made up by way of subscribed share capital, retained earnings and asset revaluation reserve.

9. COMPENSATION AND ACCOUNTING POLICIES

9.1 Compensation

In February 2016 RLC transferred the Airport's assets from RLC to RRA for greater efficiency, certainty, and transparency. RRA is now responsible for the ongoing capital development and maintenance of the Airport assets and core infrastructure as well as airport operations. RLC still retains ownership of the Airport company and is the sole Shareholder.

In conjunction with the asset transfer a Service Funding Agreement was put in place which recognises the strategic importance of the Airport to the wider community.

Except for the Service Funding Agreement with RLC mentioned above, the Board is not proposing any activities for which it would seek compensation from any local authority in the current planning period.

9.2 Accounting policies

Accounting policies will be consistent with legal requirements in the Companies Act and generally accepted accounting standards as promulgated by the External Reporting Board and modified as necessary for the circumstances of the company.

10. STATEMENT OF ACCOUNTING POLICIES

10.1 Reporting entity

Rotorua Regional Airport Limited ('the Company') is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is fully owned by the Rotorua Lakes Council and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002. The Company has designated itself as a public benefit entity for financial reporting purposes.

10.2 Basis of preparation

The financial statements have been prepared on the going concern basis.

Statement of compliance

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993. These financial statements comply with the Financial Reporting Act 1993, the Companies Act 1993, and Section 69 of the Local Government Act 2002.

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

The entity is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and revenue ≤ \$30m.

These financial statements comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, and infrastructure assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Company is New Zealand dollars.

Changes in accounting policies

There have been no changes in the Company's accounting policies since the date of the last audited financial statements.

10.3 Significant accounting policies

The following accounting policies which materially affect the measurement of financial results and financial position have been adopted in the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from exchange transactions

Operating revenue recognised when earned.

Lease income is recognised on an accrual basis with reference to the leases and rental agreements in force at balance date, with adjustment for rent paid in advance.

Interest income is recognised using the effective interest method.

Revenue from non-exchange transactions

Service funding from Rotorua Lakes Council is recognised as revenue when it becomes receivable.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings

Borrowings are initially recognised at their fair value, net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Trade debtors and other receivables

Trade debtors and other receivables are recognised at cost less provision for doubtful debts.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

Trade creditors and other payables

Trade creditors and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and call deposits. Bank overdrafts that are repayable on demand and form part of the Company's cash management are included for the purposes of the statement of cash flows.

Employee Entitlements

Liabilities for accumulating short-term entitlements are measured at nominal value based on unused entitlement accumulated at current rate of pay at balance date.

Goods & Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue

Department is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the Inland Revenue Department, including GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to revenue tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) enacted or substantially enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue or directly in equity.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Property, Plant & Equipment

Property Plant and Equipment consists of:

Operational Assets

These assets include land, buildings & fit-out, furniture and office equipment, computer equipment, motor vehicles and various plant and equipment.

The Company owns a number of residential properties as a land bank to cover possible future expansion of the runway and safety areas. The receipt of market-based rental from these properties is incidental to this purpose. The properties are held for service delivery objectives as part of the Airport's overall operating strategy. The properties are therefore accounted for as property, plant, and equipment rather than investment property.

Infrastructure Assets

These assets include runways, aprons, taxiways, surround security fences, other paved areas (pavements, car parks & roads) and underground reticulated systems.

Measurement

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses with the following exception:

- Land is measured at fair value
- Buildings and infrastructure assets are measured at fair value less accumulated depreciation and impairment losses.

Revaluations

Land, buildings, and infrastructure assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and are revalued at least every five years. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued.

Accounting for Revaluations

The Company accounts for revaluations on a class of assets basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of comprehensive revenue and expense.

When revalued assets are sold, the amount included in revaluation reserve in respect to those assets is transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial recognition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Infrastructure assets

Runway, Taxiways, Aprons	7-77 years
Other Paved Areas	10 years
Surround Security Fences	7 years

Operational assets

Buildings and Fit-out	2-80 years
Motor Vehicles	5-25 years
Furniture & Office Equipment	10 years
Computer Equipment	4 years
Plant & Equipment	4-10 years

Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

Value in use for non-cash-generating assets

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

Value in use for cash-generating assets

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

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

The carrying amount of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software	4 years	25%SL
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Critical accounting estimates and assumptions

In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

At balance date, the Company reviews the useful life of its buildings and infrastructural assets. Assessing the appropriateness of useful life and residual value estimates requires the Company to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Company, and expected disposal proceeds from the future sale of the assets. An incorrect estimate of the useful life will impact on the depreciation expense recognised in the profit and loss, and the carrying amount of the assets in the statement of financial position. The Company will minimise the risk of this estimation uncertainty by physical inspections of assets, and asset replacement of programmes in line with useful life expectations.

Impairment of property, plant and equipment and intangible assets

The Company performs impairment testing with respect to its property, plant and equipment and intangible assets. In determining whether impairment exists, the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less cost of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation for cash generating assets is based on a discounted cash flow model.

The cash flows are derived from the forecasted cashflows. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model and well as the expected future cash inflows.

10.4 Auditors

Section 70 of the Local Government Act 2002 requires that Council Controlled Organisations be audited by the Auditor General.

At the request of the Office of the Auditor General RRA will be audited by Crowe New Zealand Audit Partnership from the end of FY23, instead of Audit New Zealand.

10.5 Public notification

The Act requires that any completed Statement of Intent and each modification adopted must be made available to the public within one month after the date on which it is delivered to the Shareholder or adopted, as the case may be.

11. ADDITIONAL NOTES

11.1 Contingent liabilities

There are no known contingent liabilities as at balance date (30 June 2022).

12. SIGNATORIES

<p>Interim Chair – Rotorua Regional Airport Ltd</p>  <p>Grant Lilly</p>	<p>Chief Executive – Rotorua Regional Airport Ltd</p>  <p>Nicole Brewer</p>
<p>Date: 26 June 2023</p>	<p>Date: 26 June 2023</p>