

**Rotorua Regional Airport Limited**  
**Financial Statements**  
**For the Year Ended 30 June 2017**

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**Rotorua Regional Airport Limited**  
**Financial Statements Index**  
**For the Year Ended 30 June 2017**

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**Rotorua Regional Airport Limited**  
**Company Directory**  
**As at 30 June 2017**

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Date of Incorporation	6 April 1990		
Company Number	386483		
IRD Number	051-834-720		
Nature of Business	Provision of Safe & Efficient Airport Services for Airline and Aircraft Operators and the Travelling Public		
Business Location	Rotorua Airport Terminal Rotorua Airport, SH30, Rotokawa, Rotorua		
Registered Office	Rotorua Airport Terminal Rotorua Airport, SH30, Rotokawa, Rotorua		
Directors	Peter Stubbs (Chairman) Wiremu Atetini Kingi Stuart Alan Crosby Anthony John Marks		
Auditors	Audit New Zealand on behalf of the Auditor-General		
Accountants	Bright Wild Thomas & Lee Limited, Rotorua		
Bankers	ASB Bank & Bank of New Zealand, Rotorua		
Solicitors	Holland Beckett, Rotorua		
Shareholders	Rotorua Lakes Council	28,645,000	Ordinary Shares

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# **Rotorua Regional Airport Limited**

## **Annual Report**

### **For the Year Ended 30 June 2017**

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The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 30 June 2017.

Section 211 of the Companies Act 1993 requires the following disclosures:

#### **Principal Activities**

The business of the company is the provision of safe and efficient airport services for airlines and aircraft operators and the travelling public. The nature of the company's business has not changed during the year.

#### **Auditors**

The Auditor General is appointed under Section 15 of the Public Audit Act 2001. Audit New Zealand has been appointed to provide these services. Provision for audit fee for the year was \$25,357.

#### **Directors Holding Office During the Year**

The following Directors held office as at 30 June 2017:

	Date of Appointment
Peter Stubbs (Chairman)	21/05/2014
Wiremu Atetini Kingi	10/12/2002
Stuart Alan Crosby	22/12/2010
Anthony John Marks	01/07/2016

The following Directors resigned during the year:

	Date of Resignation
Dave Foster	31/08/2016

#### **Directors' Remuneration**

Directors' remuneration paid was as follows:

	2017	2016
Peter Stubbs (Chairman)	20,000	20,000
Wiremu Atetini Kingi	10,000	10,000
Stuart Alan Crosby	10,000	10,000
Anthony John Marks	10,000	-
	<u>50,000</u>	<u>40,000</u>

No other benefits have been provided by the Company to a Director for services as a Director or in any other capacity. No loans have been made by the Company to a Director nor has the Company guaranteed any debts incurred by a Director.

# Rotorua Regional Airport Limited

## Annual Report

### For the Year Ended 30 June 2017

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#### Employee's Remuneration

There were no employees, who were not directors, received remuneration and benefits which exceeded \$100,000 in value for the 2017 financial year:

#### Directors' Disclosures

There were entries recorded in the Register of Interests. See Note 23 of the financial statements.

No Director acquired or disposed of any interest in shares in the company.

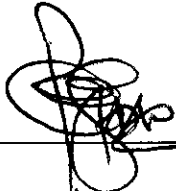
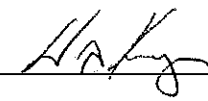
The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

The Company paid all of the premiums on contracts insuring directors in respect of liability and costs permitted to be insured against in accordance with Section 162(5) of the Companies Act 1993.

#### Donations

No donations were made by the company during the year.

For and on behalf of the Board of Directors,

Director  Director 

Dated this 22<sup>nd</sup> day of September 2017.

**Rotorua Regional Airport Limited**  
**Statement of Management Responsibility**  
**For the Year Ended 30 June 2017**

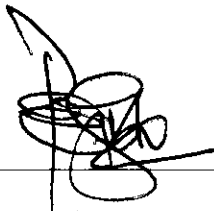
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The Directors of Rotorua Regional Airport Limited accepts responsibility for the preparation of the annual financial statements and the judgements used in these statements.

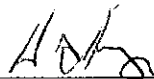
The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the company's financial and non-financial reporting.

In the opinion of the Directors, the annual financial statements for the financial year fairly reflect the financial position, operations and cash flows of the company.

Director



Director



Dated this 22<sup>nd</sup> day of September 2017.

**Rotorua Regional Airport Limited**  
**Statement of Service Performance**  
**For the Year Ended 30 June 2017**

The following is a Statement of Service Performance relating to the financial and non-financial performance measures and key objectives outlined in the Company's Statement of Intent (SOI) for the year ended 30 June 2017.

**Performance Information**

Non-financial measures	2017 Target	2017 Actual	Performance	2016 Actual
Aircraft movements	7,474	6,950		6,808
Passenger numbers	234,439	234,929		222,983
Customer service & facility rating	7.5 out of 10	7.5		8.0
Number of controllable safety incidents	1	0.0		0.0
Number of employee injuries (days off work)	5	0.0		0.0

**Key**

 Met

 Needs improvement

The airport performed well in all non-financial performance measures except for the number of aircraft movements. This was a result of a general policy of upgauging aircraft (*moving to larger aircraft as opposed to increasing flight frequency*) to accommodate growth in passenger numbers.

The majority of the Company's landing fee revenue is based on passenger numbers as opposed to aircraft movements so passenger numbers are the more critical measure. Importantly passenger numbers were up 5.36% against FY16 actual.

Explanations for major variations from the Company's budgeted figures in the 30 June 2017


Financial measures	2017 Target	2017 Actual	Performance	2016 Actual
Total Revenue	4,885,485	5,054,044		3,376,756
Total Expenses	4,556,232	4,441,569		3,353,178
Net surplus (deficit) after tax	106,253	612,475		23,578
Capital expenditure	1,785,000	438,733		47,172,218

**Key**

 Met

 Needs improvement

Given that the financial targets in the Statement of Intent are individual targets, total revenue less total expenses does not necessarily equate net surplus (deficit) after tax.



# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2017**

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Explanation for major variances from the Company's budgeted figures in the 30 June 2017 Statement of Intent (SOI) are as follows:

#### **Total Revenue**

Total revenue for the year was up 3.45% on budget due to better than forecast performance across terminal rental and car parking streams.

#### **Total Expenses**

Total expenses for the year were down 2.50% below budget. A strong focus on expense minimisation across all airport operations have contributed to this result, further savings will be targeted into FY18 as part of a broader procurement review.

#### **Capital Expenditure**

Delays in commencement of the terminal and Fire Station redevelopment works have resulted in actual expenditure falling short of budget, this has seen the broader project spend being spread across FY18.

#### **Key Objectives**

Below is an update on each of the Company's Key Objectives for 2017 as set out in the SOI:

- **Manage health and safety risks and provide a safe environment for everyone affected by the activities of the airport including employees, customers, tenants, contractors and visitors**

Airport HASE Plan completed. Moved into implementation / staff training phase with key focus areas as follows:

- Review of all Emergency procedures
  - Staff HASE training
  - Hazard identification, Hazard register documentation;
  - Notifiable event, Incident protocols
  - Contractor & tenant requirements;
  - Servicing and maintenance records
  - Audits
- **Develop a commercial network that best meets the needs of the residents and businesses in the region**  
Implemented action plan to strengthen PAX # on the ROTCHC sector. In liaison with DR launched a direct campaign into CHCH via RTIPP to increase domestic travel.

Formally conveyed concerns on ROTWLG timetable to Air New Zealand, Action plan implemented seeking reinstatement supported by Rotorua Lakes Council, Rotorua Chamber of Commerce and key Rotorua businesses.

Activated a strategy for growth of general aviation activity & revenues.



# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2017**

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- **Redevelop the original terminal & rescue fire, taking the opportunity to showcase the best of what Rotorua has to offer**

Completed Detailed Design, Pre-tender RFP completed and Final cost planning checks activated. September 17 Board meeting targeted for pre-tender release review and authorisation.

- **Engage the community and staff by being welcoming and ensuring the airport is an asset that they can be proud of**

Completed health check of employment contracts, PD's. document organisational chart, design performance management system to support objectives, confirm staff development plans.

Shift roster. Management agreed as part of the revised roster to review its effectiveness after six months. We appointed Margaret Rumble (HR Consultant) to independently facilitate the review. The outcome was a proposal to the staff at the Airport Fire Service to amend its roster and this was activated on 1 May 17 with positive feedback from staff, and from a management perspective better staff engagement and productivity gains are evident.

Completed the company's annual marketing and events calendar.

Determined cross functional /organisational relationships where mutual objectives exist, for example Destination Rotorua. Documented and assigned action plan(s).

- **Manage and maintain business-critical infrastructure, services and facilities for all users of the Airport**

Determined strategy for Air New Zealand landing fees renegotiation

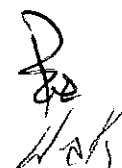
Review format / purpose / frequency of the airport users meeting.

Set company's internal audit process to ensure compliance against statutory requirements - CAA, regulatory, HASE compliance.

Reviewed the carpark operating structure, consider physical segmentation of rental, public activity to address revenue leakage from non-airport based operators. Underway,

- **Build non-aviation revenue and optimise existing assets, including unlocking the potential of the unused airport land**

Recast of the Airport masterplan underway. A review of key supporting elements of the District Plan framework has been activated to support timely release of the land development parcel.



**Rotorua Regional Airport Limited**  
**Statement of Comprehensive Revenue & Expense**  
**For the Year Ended 30 June 2017**

	Note	2017	2016
<b>REVENUE</b>			
Operating Revenue	3	5,047,497	3,340,785
Other Revenue	4	6,547	35,971
<b>TOTAL REVENUE</b>		<b>5,054,044</b>	<b>3,376,756</b>
<b>EXPENSES</b>			
Operating Expenses	5	1,008,798	807,635
Depreciation, Amortisation & Impairment Charges		2,198,857	1,462,509
Directors' Fees		50,000	40,000
Finance Expense		514,853	265,229
Other Expenses	6	669,061	777,805
<b>TOTAL EXPENSES</b>		<b>4,441,569</b>	<b>3,353,178</b>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<b>612,475</b>	<b>23,578</b>
Income tax expense	10	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>		<b>612,475</b>	<b>23,578</b>
Other Comprehensive Revenue & Expense		-	-
<b>TOTAL COMPREHENSIVE REVENUE &amp; EXPENSE</b>		<b>612,475</b>	<b>23,578</b>

*The accompanying notes form part of these financial statements.*

*Handwritten signature/initials: PCK*

**Rotorua Regional Airport Limited**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2017**

	Note	2017	2016
<b>EQUITY AT START OF YEAR</b>		29,964,972	1,740,083
Total comprehensive revenue & expense for the year		612,475	23,578
<i>Owners transactions</i>			
Issue of ordinary shares	16(a)	-	28,644,000
Payment of dividends	16(b)	-	(442,689)
<b>EQUITY AT END OF YEAR</b>		<b>30,577,447</b>	<b>29,964,972</b>

The accompanying notes form part of these financial statements.

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**Rotorua Regional Airport Limited**  
**Statement of Financial Position**  
**As at 30 June 2017**

	Note	2017	2016
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	1,077,998	107,690
Receivables from exchange transactions	17	167,427	136,245
Other receivables	17	45,061	49,931
Prepayments		39,189	42,215
<b>TOTAL CURRENT ASSETS</b>		<b>1,329,675</b>	<b>336,081</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	11	44,717,004	46,535,733
Intangible assets	12	1,506	2,492
<b>TOTAL NON-CURRENT ASSETS</b>		<b>44,718,510</b>	<b>46,538,225</b>
<b>TOTAL ASSETS</b>		<b>46,048,185</b>	<b>46,874,306</b>
<b>CURRENT LIABILITIES</b>			
Payables under exchange transactions	18	316,689	175,307
Other payables	18	94,601	169,178
Income and rent in advance		14,605	15,308
Borrowings	22	722	1,503,722
Employee entitlements	19	44,121	45,819
<b>TOTAL CURRENT LIABILITIES</b>		<b>470,738</b>	<b>1,909,334</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	22	15,000,000	15,000,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,000,000</b>	<b>15,000,000</b>
<b>TOTAL LIABILITIES</b>		<b>15,470,738</b>	<b>16,909,334</b>
<b>NET ASSETS</b>		<b>30,577,447</b>	<b>29,964,972</b>
<b>EQUITY</b>			
Share capital	16(a)	28,645,000	28,645,000
Retained earnings	16(b)	1,932,447	1,319,972
<b>TOTAL EQUITY</b>		<b>30,577,447</b>	<b>29,964,972</b>

The Board of Directors of Rotorua Regional Airport Limited authorised these financial statements for issue on \_\_\_\_ September 2017.

*The accompanying notes form part of these financial statements.*

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**Rotorua Regional Airport Limited**  
**Statement of Cashflows**  
**For the Year Ended 30 June 2017**

	Note	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was received from:			
Receipts from customers		5,024,121	3,665,850
Interest received		4,808	14,796
Income tax refund		4,869	-
Goods and services tax (net)		-	59,405
		5,033,798	3,740,051
Cash was paid to:			
Payments to suppliers and employees		1,680,977	2,515,924
Goods and services tax (net)		55,122	-
Interest paid		518,191	220,877
Income tax payment		-	706
		2,254,290	2,737,507
<b>Net cash flow from operating activities</b>	8	2,779,508	1,002,544
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was received from:			
Proceeds from sale of property, plant and equipment		51,739	45,217
		51,739	45,217
Cash was paid to:			
Purchase of property, plant and equipment		357,939	47,142,173
		357,939	47,142,173
<b>Net cash flow from investing activities</b>		(306,200)	(47,096,956)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was received from:			
Proceeds from borrowings		-	21,800,000
Proceeds from issue of ordinary shares		-	28,644,000
		-	50,444,000
Cash was paid to:			
Payment of dividends		-	442,689
Repayment of borrowings		1,503,000	5,296,278
		1,503,000	5,738,967
<b>Net cash flow from financing activities</b>		(1,503,000)	44,705,033
<b>Net increase (decrease) in cash and cash equivalents</b>		970,308	(1,389,379)
Cash and cash equivalents at the beginning of the year		107,690	1,497,069
<b>Cash and cash equivalents at the end of year</b>	9	1,077,998	107,690

The GST (net) component of the operating activities reflects the net GST paid to and received from the Inland Revenue Department.

The GST (net) component has been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of other primary financial statements.

*The accompanying notes form part of these financial statements.*

# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2017**

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#### **STATEMENT OF ACCOUNTING POLICIES**

##### **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 (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2017. The financial statements were authorised for issue by the directors on \_\_\_\_\_ September 2017.

##### **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 ≤ \$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.

# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2017**

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#### **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.

(a) **Revenue**

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

**Revenue from non-exchange transactions**

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

**Revenue from exchange transactions**

Operating revenue is 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.

(b) **Borrowings & borrowing costs**

Borrowings are initially recognised at their fair value plus transaction costs. 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.

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

(c) **Trade debtors and other receivables**

Trade debtors and other receivables are recognised at their face value less any provision for doubtful debts.

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

(d) **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.

(e) **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.

(f) **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.

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# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2017**

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#### **(g) 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.

#### **(h) Income Tax**

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by 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) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity 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 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 and expense or directly in equity.



# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2017**

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#### **(i) 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.

#### **(j) 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.

# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2017**

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#### ***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	10-80 years
Other Paved Areas	13 years
Surround Security Fences	10 years

##### ***Operational assets***

Buildings and Fit-out	10-46 years
Motor Vehicles	5-10 years
Furniture & Office Equipment	10 years
Computer Equipment	4 years
Plant & Equipment	4-10 years

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

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**(k) 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.

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 revenue and expense. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

***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.

**(l) 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 revenue and expense.

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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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

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(m) **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.

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**3. OPERATING REVENUE**

	2017	2016
<b>Exchange revenue</b>		
Landing Charges	1,400,494	1,291,889
Lease Rental	393,135	389,317
Parking Revenue	509,163	458,888
Ground Handling Revenue	34,507	34,456
Other Operating Revenue	210,198	124,235
<b>Non-exchange revenue</b>		
Rotorua Lakes Council Service Funding	2,500,000	1,042,000
<b>Total Operating Revenue</b>	<b>5,047,497</b>	<b>3,340,785</b>

**4. OTHER REVENUE**

	2017	2016
Interest Received	4,808	14,796
Gain on the disposal of property, plant & equipment	1,739	21,175
<b>Total Other Revenue</b>	<b>6,547</b>	<b>35,971</b>

**5. OPERATING EXPENSES**

	2017	2016
Customs Service/MAF Expenses	1,866	298
Rental Property Expenses	31,701	4,406
Runway/Taxiway/Apron Expenses	663,851	522,703
Surrounds Expenses	69,910	70,586
Terminal Expenses	241,470	209,642
<b>Total Operating Expenses</b>	<b>1,008,798</b>	<b>807,635</b>

Personnel costs of \$510,492 (2016: \$382,560) are included in the above operating expenses.

**6. OTHER EXPENSES**

	2017	2016
Audit Fees – audit of financial statements	25,357	23,239
Land Rates	90,245	94,672
Other Expenses	553,459	659,894
<b>Total Other Expenses</b>	<b>669,061</b>	<b>777,805</b>

Personnel costs of \$201,866 (2016: \$278,385) are included in the above other expenses.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**7. CATEGORIES OF FINANCIAL INSTRUMENTS**

The carrying amounts of financial instruments in each of the financial instrument categories are as follows:

	2017	2016
<b>Loans and receivables</b>		
Cash and cash equivalents	1,077,998	107,690
Trade and other receivables (excluding taxes receivable)	167,427	136,245
<b>Total Loans and Receivables</b>	<b>1,245,425</b>	<b>243,935</b>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (excluding taxes payable)	385,720	247,912
Borrowings	15,000,722	16,503,722
<b>Total Financial Liabilities at Amortised Cost</b>	<b>15,386,442</b>	<b>16,751,634</b>

Trade and other receivables of \$167,427 have been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

**8. RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2017	2016
Net Operating Surplus (Deficit)	612,475	23,578
<b>Add non-cash items</b>		
Depreciation, Amortisation & Impairment Losses	2,198,857	1,462,509
	2,811,332	1,486,087
<b>Add (less) movements in working capital items</b>		
Employee entitlements	(1,698)	11,160
Trade and other receivables	(23,283)	389,003
Trade and other payables	(14,693)	(864,199)
	(39,674)	(464,036)
<b>Add (less) items classified as investing or financing activities</b>		
(Gains)/losses on the disposal of property, plant and equipment	7,850	(19,507)
<b>Net cash flows from operating activities</b>	<b>2,779,508</b>	<b>1,002,544</b>

The trade creditors and other payables movement does not agree with the face of the statement of financial position due to the exclusion of this year's fixed asset payable of \$(80,794). (2016: \$(30,043))

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**9. CASH & CASH EQUIVALENTS**

	2017	2016
Cash at bank	1,071,762	104,267
Cash on hand	6,236	3,423
<b>Net cash &amp; cash equivalents</b>	<b>1,077,998</b>	<b>107,690</b>

**10. INCOME TAX**

	2017	2016
<b>Components of tax expense</b>		
Current tax expense	-	-
Deferred tax expense	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>
 <b>Relationship between tax expense and accounting profit</b>		
Surplus (deficit) before tax	612,475	23,578
Tax at 28% (2016: 28%)	171,493	6,602
Non-deductible expenditure	127	12,689
Tax losses recognised	(171,620)	(19,291)
<b>Tax expense</b>	<b>-</b>	<b>-</b>

A deferred tax asset has not been recognised in relation to tax losses of \$1,002,071 (2016: \$1,998,084) and temporary differences of \$45,254 (2016: \$46,538).

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# Rotorua Regional Airport Limited

## Notes to the Financial Statements

### For the Year Ended 30 June 2017

#### 11. PROPERTY, PLANT & EQUIPMENT

	Plant and Equipment	Motor Vehicles	Furniture and Office Equipment	Computer Equipment	Land	Buildings & Fit-out	Infrastructure Assets	Total
<b>Cost</b>								
Balance at 1 July 2015	1,112,799	495,586	152,859	75,763	-	235,952	-	2,072,959
Additions	39,920	39,959	1,395	695	7,154,818	9,401,550	30,533,881	47,172,218
Disposals	(24,421)	(106,667)	(9,080)	(10,174)	-	-	-	(150,342)
<b>Balance at 30 June 2016</b>	<b>1,128,298</b>	<b>428,878</b>	<b>145,174</b>	<b>66,284</b>	<b>7,154,818</b>	<b>9,637,502</b>	<b>30,533,881</b>	<b>49,094,835</b>
Balance 1 July 2016	1,128,298	428,878	145,174	66,284	7,154,818	9,637,502	30,533,881	49,094,835
Additions	26,323	68,261	1,781	5,808	-	335,208	1,350	438,731
Disposals	-	(6,667)	-	-	-	(64,422)	-	(71,089)
<b>Balance 30 June 2017</b>	<b>1,154,621</b>	<b>490,472</b>	<b>146,955</b>	<b>72,092</b>	<b>7,154,818</b>	<b>9,908,288</b>	<b>30,535,231</b>	<b>49,462,477</b>
<b>Accumulated Depreciation and Impairment Losses</b>								
Balance at 1 July 2015	627,502	363,139	131,835	67,350	-	34,074	-	1,223,900
Depreciation Expense	91,937	43,204	7,301	3,448	-	113,413	727,484	986,787
Impairment Losses	-	-	-	-	-	473,045	-	473,045
Disposals	(23,278)	(82,676)	(8,501)	(10,175)	-	-	-	(124,630)
<b>Balance at 30 June 2016</b>	<b>696,161</b>	<b>323,667</b>	<b>130,635</b>	<b>60,623</b>	<b>-</b>	<b>620,532</b>	<b>727,484</b>	<b>2,559,102</b>
Balance at 1 July 2016	696,161	323,667	130,635	60,623	-	620,532	727,484	2,559,102
Depreciation Expense	94,436	49,241	6,787	3,079	-	298,256	1,746,072	2,197,871
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	-	(6,667)	-	-	-	(4,833)	-	(11,500)
<b>Balance at 30 June 2017</b>	<b>790,597</b>	<b>366,241</b>	<b>137,422</b>	<b>63,702</b>	<b>-</b>	<b>913,955</b>	<b>2,473,556</b>	<b>4,745,473</b>
<b>Carrying Amounts</b>								
At 1 July 2015	485,297	132,447	21,024	8,413	-	201,878	-	849,059
At 30 June and 1 July 2016	432,137	105,211	14,539	5,661	7,154,818	9,016,970	29,806,397	46,535,733
At 30 June 2017	364,024	124,231	9,533	8,390	7,154,818	8,994,333	28,061,675	44,717,004

The carrying amount of property, plant and equipment of \$44,717,004 has been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**12. INTANGIBLE ASSETS**

	Acquired Software	Total
<b>Cost</b>		
Balance at 1 July 2015	97,463	97,463
Additions		
Disposals		
<b>Balance at 30 June 2016</b>	<b>97,463</b>	<b>97,463</b>
Balance 1 July 2016	97,463	97,463
Additions	-	-
Disposals	-	-
<b>Balance 30 June 2017</b>	<b>97,463</b>	<b>97,463</b>
<b>Accumulated Amortisation and Impairment Losses</b>		
Balance at 1 July 2015	92,294	92,294
Amortisation Expense	2,677	2,677
Impairment Losses	-	-
Disposals	-	-
<b>Balance at 30 June 2016</b>	<b>94,971</b>	<b>94,971</b>
Balance at 1 July 2016	94,971	94,971
Amortisation Expense	986	986
Impairment Losses	-	-
Disposals	-	-
<b>Balance at 30 June 2017</b>	<b>95,957</b>	<b>95,957</b>
<b>Carrying Amounts</b>		
At 1 July 2015	5,169	5,169
At 30 June and 1 July 2016	2,492	2,492
At 30 June 2017	1,506	1,506

**13. CAPITAL EXPENDITURE COMMITMENTS**

	2017	2016
<b>Capital commitments</b>		
Property, Plant & Equipment	152,580	-
<b>Total Capital Commitments</b>	<b>152,580</b>	<b>-</b>

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

**14. CONTINGENT ASSETS & LIABILITIES**

**(a) Contingent Assets**

The Company has no contingent assets (30 June 2016: nil).

**(b) Contingent Liabilities**

The Company has no contingent liabilities (30 June 2016: nil).

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**15. LEASE COMMITMENTS**

**Height protection lease commitment**

Kahikatea trees to the north of the runway threaten compliance with the Civil Aviation Act, therefore a lease payment is paid to Ngati Rangiteaorere Kahikatea Trust to ensure the trees are maintained to the required height protection level ensuring the Airport complies with the Civil Aviation Act. Future minimum lease payments are as follows:

	2017	2016
Less than 1 year	60,000	60,000
Between 1 and 5 years	210,000	270,000
Over 5 years	-	-

There is a lease payment contingent clause under the lease agreement whereby the Company must pay to Ngati Rangiteaorere Kahikatea Trust the difference between 6% of the gross landing charges and the annual lease payment of \$60,000 if the amount equal to 6% of the gross landing charges exceeds the annual lease payment of \$60,000.

**16. SHAREHOLDERS' EQUITY**

**(a) Share Capital**

	2017		2016	
	# of shares	Carrying value	# of shares	Carrying value
<b>Issued Ordinary shares</b>				
Opening balance	28,645,000	28,645,000	1,000	1,000
Ordinary shares issued in the year	-	-	28,644,000	28,644,000
<b>Closing balance</b>	<b>28,645,000</b>	<b>28,645,000</b>	<b>28,645,000</b>	<b>28,645,000</b>

The number of shares authorised at balance date were 28,645,000 shares. All issued ordinary shares are fully paid and have a par value of \$1 per share. Fully paid ordinary shares have full voting rights and participate fully in all dividends and proceeds upon winding up of the Company.

**(b) Retained Earnings**

	2017	2016
Retained Earnings opening balance	1,319,972	1,739,083
Net Surplus (Deficit) after tax	612,475	23,578
Payment of dividends	-	(442,689)
<b>Retained Earnings Closing Balance</b>	<b>1,932,447</b>	<b>1,319,972</b>

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**17. TRADE AND OTHER RECEIVABLES**

	2017	2016
<b>Receivables from exchange transactions</b>		
Trade debtors	167,427	136,245
	<b>167,427</b>	<b>136,245</b>
<b>Other receivables</b>		
Income tax refund due	45,061	49,931
	<b>45,061</b>	<b>49,931</b>
<b>Total Trade and Other Receivables</b>	<b>212,488</b>	<b>186,176</b>

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

**18. TRADE AND OTHER PAYABLES**

	2017	2016
<b>Payables from exchange transactions</b>		
Trade creditors	281,832	142,068
Year end accruals	34,857	33,239
	<b>316,689</b>	<b>175,307</b>
<b>Other payables</b>		
Related party payables	69,031	72,605
GST payment due	7,729	82,800
FBT payable	1,210	1,210
PAYE payable	16,631	12,563
	<b>94,601</b>	<b>169,178</b>
<b>Total Trade and Other Payables</b>	<b>411,290</b>	<b>344,485</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying values of creditors and other payables approximates their fair value.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**19. EMPLOYEE ENTITLEMENTS**

	2017	2016
Annual leave	29,592	35,816
Alternative leave	14,529	10,003
<b>Total Employee Entitlements</b>	<b>44,121</b>	<b>45,819</b>

**20. SIGNIFICANT EVENTS AFTER BALANCE DATE**

There were no significant events after balance date.

**21. REPORTING AGAINST FINANCIAL FORECAST AS SET OUT IN SOI**

	<b>2017 Target</b>	<b>2017 Actual</b>	<b>Variance</b>
Total revenue	4,885,485	5,054,044	168,559
Total expenses	4,556,232	4,441,569	114,663
Net surplus (deficit) after tax	106,253	612,475	506,222

**Explanation of major variances against financial forecast**

- 1) Refer to pages 8 & 9 of the Statement of Service Performance for explanation of variances against financial forecast for the following profit or loss items:

Total income & Total Expenses  
 Net surplus (deficit) after tax

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

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**22. BORROWINGS**

	2017	2016
<b>Current portion</b>		
Borrowing – Bank of New Zealand	722	1,503,722
<b>Non-current portion</b>		
Borrowing – Rotorua Lakes Council	15,000,000	15,000,000
<b>Total Borrowings</b>	<b>15,000,722</b>	<b>16,503,722</b>

The loan from Rotorua Lakes Council is secured by a General Security Agreement. The average interest rate on the loan at balance date was 2.96% plus a margin of 25 basis points (bps).

The Company has a Customised Average Rate Loan (CARL) from BNZ Bank of up to \$3,400,000 that matures on 15 June 2019. This facility is unsecured with a floating interest rate based on a margin of 1.20% above the Bank Bill Reference Rate (BKBM). The interest rate on this facility at 30 June 2017 was 3.09%.

The Company's portfolio of debt is structured with a view to minimising interest rate risk and maximising certainty of the Company's debt servicing costs in the current financial year.

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

**23. RELATED PARTIES**

The controlling party of the Company is Rotorua Lakes Council. The following transactions are the disclosures of transactions between the Company and its shareholders and directors:

The following transactions were carried out with related parties on normal commercial terms. The transactions between the Company and Rotorua Lakes Council, and with companies in which directors have an interest are not required to be disclosed by PBE IPSAS 20 Related Party Disclosures. The disclosures made are for information purposes only.

a) Transactions with Rotorua Lakes Council

	<b>2017</b>	<b>2016</b>
<b><i>Purchases of goods &amp; services</i></b>		
Land and water rates	95,112	99,249
Resource consent fees	279	1,384
"Bike the Runway" sponsorship	2,000	2,000
Maintenance charge	120	216
	<b>97,511</b>	<b>102,849</b>
<b><i>Sales of goods &amp; services</i></b>		
Service funding received under a service level agreement	2,500,000	1,042,000
	<b>2,500,000</b>	<b>1,042,000</b>
<b><i>Loan</i></b>		
Loan received during the year	-	18,400,000
Loan paid during the year	-	(3,400,000)
Loan from Rotorua Lakes Council as at balance date	15,000,000	15,000,000
<b><i>Other</i></b>		
Purchase of infrastructure assets	-	47,044,000
Interest paid on loan	499,000	261,892
Payment of dividend	-	442,689
Proceeds from issue of new ordinary shares	-	(28,644,000)
	<b>499,000</b>	<b>19,104,581</b>
<b><i>Receivable &amp; payable</i></b>		
Balance receivable from Rotorua Lakes Council	-	17,250
Balance payable to Rotorua Lakes Council	69,031	72,605

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2017**

b) Transactions with Rotorua Economic Development (RED)

	2017	2016
<b>Sale of goods &amp; services</b>		
Advertising income from RED*	30,000	30,000
	30,000	30,000

\* Rotorua Economic Development was previously part of Rotorua Lakes Council. The income relates to the I-site.

c) Transactions with companies in which directors have an interest

	2017	2016
<b>Purchases of goods &amp; services</b>		
Amount billed from Simpson Grierson for legal services (and paid)	1,450	5,894
	1,450	5,894

Simpson Grierson, a firm in which Mr Peter Stubbs, a director of the Company, is a partner of. There were no amounts outstanding at year end.

d) Board members remuneration

	2017	2016
Peter Stubbs	20,000	20,000
Wiremu Atetini Kingi	10,000	10,000
Stuart Alan Crosby	10,000	10,000
Anthony John Marks	10,000	-
	50,000	40,000

e) Employee remuneration

	2017	2016
<b>Total remuneration paid</b>		
121,000 to 130,000	-	1

Total key management personnel compensation for the financial year ending 30 June 2017 is \$208,941 (2016: \$192,229). This includes 7 personnel in the financial year ending 30 June 2017 (2016: 6)

No related party debts have been written off or forgiven during the year.

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